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**Report to:** Audit & Governance Committee      **Date of Meeting:** 27<sup>th</sup> June 2012

**Subject:** Internal Audit Annual Plan 2012/13

**Report of:** Head of Corporate Finance & ICT      **Wards Affected:** All

**Is this a Key Decision?** No      **Is it included in the Forward Plan?** No

**Exempt/Confidential**      No

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### **Purpose/Summary**

To provide Audit & Governance Committee with the Internal Audit Plan for 2012/13.

### **Recommendation(s)**

Members are requested to:-

- i) Approve the Annual Audit Plan for 2012/13.

### **How does the decision contribute to the Council's Corporate Objectives?**

	<b><u>Corporate Objective</u></b>	<b><u>Positive Impact</u></b>	<b><u>Neutral Impact</u></b>	<b><u>Negative Impact</u></b>
1	Creating a Learning Community	✓		
2	Jobs and Prosperity	✓		
3	Environmental Sustainability	✓		
4	Health and Well-Being	✓		
5	Children and Young People	✓		
6	Creating Safe Communities	✓		
7	Creating Inclusive Communities	✓		
8	Improving the Quality of Council Services and Strengthening Local Democracy	✓		

### **Reasons for the Recommendation:**

The proposed Internal Audit Plan for 2012/13 has been developed in close consultation with the Strategic and Service Directors in order to identify the key areas of risk for the forthcoming financial year (2012/13). The plan ensures appropriate coverage of Council services in order to enable an opinion on the effectiveness of the overall control environment to be formed at year end. The report therefore seeks to inform Members of the Audit & Governance Committee, in the context of the Members being charged with

the overall responsibility for governance, of the proposed work programme for Internal Audit by way of their approval of the Internal Audit Plan for 2012/13.

**What will it cost and how will it be financed?**

There are no financial costs associated with the proposals within this report.

**(A) Revenue Costs**

**(B) Capital Costs**

**Implications:**

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

<b>Legal</b>		
<b>Human Resources</b>		
<b>Equality</b>		
1.	No Equality Implication	<input checked="" type="checkbox"/>
2.	Equality Implications identified and mitigated	<input type="checkbox"/>
3.	Equality Implication identified and risk remains	<input type="checkbox"/>

**Impact on Service Delivery:**

Internal Audit provide assurance to the Council that Internal Controls are provided for within systems utilised across the Council providing for effective and efficient service delivery for the community.

**What consultations have taken place on the proposals and when?**

The Head of Corporate Finance (FD1615/12) and Head of Corporate Legal Services (LD952/12) have been consulted and any comments have been incorporated into the report.

**Are there any other options available for consideration?**

The Committee could choose not to approve the Annual Audit Plan, however, Internal Audit is a statutory requirement and the Code of Practice for Internal Audit recommends that Internal Audit operate to an Audit Plan.

**Implementation Date for the Decision**

Immediately following the Audit & Governance Committee meeting.

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**Background Papers:**

The following papers are available for inspection by contacting the above officer.

CIPFA Code of Practice for Internal Audit

## 1. Introduction/Background

- 1.1 The Accounts and Audit Regulations 2011 require that the Council maintain an adequate and effective system of Internal Audit of its accounting records and of its system of internal control. Internal Audit is the assurance function that provides an independent and objective opinion to the Council on the control environment. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. In fulfilling this it supports the Annual Governance Statement.
- 1.2 The organisation (Council, Directors, Departments) is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. In order to fulfil this function and provide an opinion on the adequacy and effectiveness of the Council's internal control environment Internal Audit has to plan its work.
- 1.3 The Chief Internal Auditor has adopted a revised approach to the compilation of the plan in order to meet with the Councils changing priorities in the current climate. The revised approach comprises 2 stages:-

**Stage 1** – the plan has been split into strategic areas comprising;

- Annual Requirements
- Probity / Compliance
- ICT
- Value For Money
- Anti Fraud/NFI
- Project Support Work
- Transformation / Financial Support

This is presented to the Audit & Governance Committee to approve the framework in order that the Chief Internal Auditor can progress to Stage 2 with that approval;

Where areas for review are known to be high risk and require audit in the coming financial year these have been included in the plan.

**Stage 2** – the Chief Internal Auditor will consult with Strategic & Service Directors and Heads of Service to negotiate the detail of the Annual Plan (this will include those areas already included);

**Stage 3** – once the detail of the plan is agreed with officers the finalised plan will be presented to the Audit & Governance Committee to inform and seek approval of the plan and thus outline to Members the direction for audit.

- 1.4 This will ensure that Members are assured that the plan will meet their strategic requirements and the strategic objectives of the Council.
- 1.5 The Audit Plan is drawn up in accordance with the CIPFA Code of Practice for Internal Audit 2006 (CoP). The Plan is risk based and an Audit Risk Assessment has been applied which assists in prioritising audit work relative to risk. The

process also considers the resources available to Internal Audit (in terms of audit days available, staff qualifications and experience) and is drawn up to deliver audit services within those resources. Whilst specific areas for review have been identified in the Plan it must be recognised that the Plan is intended to be flexible and responsive to changes in the Council's audit requirements and priorities, be able to address unforeseen circumstances, undertake unplanned work and accommodate variances between planned and actual allocations.

- 1.6 Audit staffing resources are identified and allocated in terms of estimated planned days for audit work. The resource within the Section will be reduced as part of the larger review of Corporate Finance & ICT; the number of Auditors is to reduce from 10 to 8 (excluding the Chief Internal Auditor). Further the Section is to reduce from 2 Audit Managers to 1, however, a Computer Audit post is to be established. In 2012/13 there is 1 Senior Auditor on extended shared maternity leave until end of August 2012. The plan has been adopted to account for this reduction in resources and therefore the number of planned days has reduced from 1958 to 1396.
- 1.7 This report provides the background and methodology for compiling the Audit Plan and advises Members of the framework for the Internal Audit Plan for 2012 /13 appended to this report at Annex A.

## **2. Recommendation**

- 2.1 Members are requested to approve the framework for the Audit Plan for 2012/13.