



Havering
LONDON BOROUGH

AUDIT COMMITTEE

25 April 2012

Subject Heading:

**INTERNAL AUDIT DRAFT PLAN FOR
2012/13**

Report Author and contact details:

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Policy context:

To propose the 2012/13 Internal Audit
Plan

Financial summary:

N/A

REPORT OF THE CHIEF EXECUTIVE

SUMMARY

In accordance with the Internal Audit Charter and Terms of Reference the Audit Service reports annually to the Audit Committee on its proposed Audit Plan.

Appendix A details the draft risk based audit plan for the next financial year, which shows what audit work will be undertaken for the period together with the estimated number of audit days required.

The individual audits shown in the plan and the assurance gained by completing them will feed into the Head of Internal Audit Opinion which is a key assurance for the Annual Governance Statement.

Since the last meeting consultation has taken place with Senior Management to ensure the content of the plan meets their requirements for the coming year.

RECOMMENDATIONS

- 1 To review the draft plan and provide comments in order that these may be considered as part of the compilation of the final draft plan.
- 2 To approve the plan on the basis of any agreed amendments arising during the meeting.
- 3 To note that any required changes to the Audit Plan during the financial year, as considered necessary by the Internal Audit & Corporate Risk Manager, will be reported for discussion within the progress report to the next Audit Committee meeting.

REPORT DETAIL

1. Audit Plan 2012/13

- 1.1 The audit plan has been derived by considering:
 - Audit issues identified during 2011/12;
 - Request from Management;
 - Risk Registers; and
 - Consultation with Senior Management
- 1.2 The audit plan has been derived by reviewing and updating the Strategic Audit Plan and the list of key systems / areas of risk (audit universe). Both the Corporate and Service Risk Registers have been considered. Audit issues identified during 2011/12 have also been fed into the process. Meetings have taken place with Heads of Service and/or Service Internal Audit Representatives to discuss potential audit areas and any specific issues or concerns.
- 1.3 The plan has been circulated to Senior Management for comment. Any issues arising from this consultation will be reflected in the final version of the plan, and any of a material nature will be advised to the Committee.
- 1.4 As an audit plan is not a static document and is always evolving as risk plans are amended, service provision changes and previous audits change the categorisation of the risk assessment of a service. This means that the audit plan will change in year. In setting the plan for the coming year consideration has been given to the current pace of change within the organisation. It is difficult to identify exactly, at the present time, where Internal Audit resources will be most needed within our new structures so

audit days have been allocated to larger areas than usual and will be drawn down on as necessary.

- 1.5 By delegating the responsibility for everyday operational decisions to the Internal Audit & Corporate Risk Manager this will facilitate efficient work processes during the year. Any changes to the plan will be reported back to the Committee as part of the regular progress reports.

IMPLICATIONS AND RISKS

Financial implications and risks:

The costs of both directly employed and outsourced services to carry out the agreed plan will be met from within the 2012/13 budget for the Audit Service. The 1576 days of resource available are sufficient to review all the high risk areas identified in the planning process as well as allowing the team to undertake a small percentage of probity type audits.

The plan includes provision for work in schools and for Homes in Havering. Income is generated from this work and the recent restructure of the Audit Team has created a structure which is capable of delivering the level and type of work required. It is envisaged that a permanent structure will be in place by the start of the 2012/13 financial year any vacancies within the team will be filled by agency workers within budgetary constraints.

The risks relating to the audit plan are set out below.

Risk	Mitigation factors
That the plan will not address the key risk areas within the council	<p>The plan has been prepared taking into account the council's risk registers. The auditable areas have been identified and subjected to a risk evaluation to determine if and when they should be reviewed.</p> <p>The plan has been formulated and assessed by the Internal Audit & Corporate Risk Manager using prescribed methodologies, including discussion with Heads of Service.</p> <p>The plan has been circulated to Senior Management for comment and will be reviewed periodically throughout the year with any required changes being reported to Audit Committee. Any changes necessitated by new legislation or changing financial circumstances will be reflected in the plan and advised to the Committee.</p>
That the plan does not provide assurance for the external auditor	<p>The plan ensures that key areas of the financial procedures which feed the financial statements are reviewed annually.</p>

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	<p>There is regular liaison between the internal and external auditors during the year to ensure adequate assurance is provided.</p>
<p>That the plan is not flexible enough to meet the needs of the council during the year</p>	<p>There is a contingency within the year to allow for unforeseen systems based audit work and if necessary decisions may need to be made to replace one audit with another.</p> <p>As the level of fraud investigation work cannot be determined with any certainty the same practice will operate as in previous years in that should there be more fraud investigation work than was planned then the pro-active audits would be reduced and if there is not as much as anticipated than further pro-active audits would be undertaken.</p> <p>Should additional work be required above these two factors then resources may be seconded from the systems team or additional funding may need to be identified before work could commence.</p> <p>As indicated, there is a higher risk than normal of changing circumstances for the coming year, and this will therefore need to be managed accordingly.</p>
<p>That there are not sufficient staffing resources both in number and to the required skill level to carry out the work identified</p>	<p>The structure of the team is appropriate to deliver the draft audit plan. There is a shortfall in resource due to maternity leave and so, as stated above; temporary agency worker will need to be engaged.</p> <p>Training needs are assessed at 6 monthly intervals via the PDR process.</p> <p>Continuous training is provided to ensure that staff have sufficient skills to carry out their duties and deliver the audit plan and strategy.</p>
<p>That there is insufficient understanding and coverage of other risks (not purely operational and strategic)</p>	<p>Involvement with projects systems development and change.</p> <p>Reliability and integrity of management databases and information.</p> <p>Stewardship of financial and non financial assets.</p> <p>Reviews to ensure that the authority complies with new legislation.</p>
<p>Not addressing risks in areas where there control deficiencies and weaknesses have been identified</p>	<p>The audit planning process will review the significant issues on the Annual Governance Statement and ensure that relevant audits are included within the plan. Recommendations to address significant control weaknesses are reviewed in the following financial year to ensure that they have been fully implemented by agreed dates.</p>

Legal implications and risks:

None arising directly from this report

Human Resources implications and risks:

None arising directly from this report

Equalities implications and risks:

None arising directly from this report

BACKGROUND PAPERS

None