



Havering
LONDON BOROUGH

AUDIT COMMITTEE

28 February 2013

Subject Heading:

**INTERNAL AUDIT DRAFT STRATEGY
AND PLAN FOR 2013/14**

Report Author and contact details:

Vanessa Bateman
Internal Audit & Corporate Risk Manager
Tel: 01708 - 433733
E-mail: vanessa.bateman@havering.gov.uk

Policy context:

To propose the 2013/14 Internal Audit
Strategy and Plan

Financial summary:

N/A

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	X
Excellence in education and learning	X
Opportunities for all through economic, social and cultural activity	X
Value and enhance the life of every individual	X
High customer satisfaction and a stable council tax	X

SUMMARY

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

The Strategy outlines the means by which Internal Audit will achieve its objectives and is attached as Appendix A of this report.

Appendix B 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.

RECOMMENDATIONS

- 1 To review the draft strategy and provide comments in order that these may be considered as part of the compilation of the final strategy.
- 2 To approve the strategy on the basis of any agreed amendments arising during the meeting.
- 3 To approve the plan on the basis of any agreed amendments arising during the meeting.

REPORT DETAIL

1. **Internal Audit Strategy 2013/14**
 - 1.1 Appendix A contains the proposed Audit Strategy for 2013/14.
 - 1.2 The Strategy sets out how Internal Audit intends to meet its objectives for the coming year.
2. **Audit Plan 2013/14**
 - 2.1 The audit plan has been derived by considering:
 - Audit issues identified during 2012/13;
 - Request from Management; and
 - Risk Registers.
 - 2.2 The draft plan has been circulated to Senior Management for comment.

IMPLICATIONS AND RISKS

Financial implications and risks:

The costs of both directly employed and externally provided services to carry out the agreed plan will be met from within the 2013/14 budget for the Audit Service. The 1435 days of resource available are sufficient to review all the high risk areas

Audit Committee, 28 February 2013

identified in the planning process as well as allowing the team to undertake a small percentage of probity type audits.

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> <p>There is regular liaison between the internal and external auditors during the year to ensure adequate assurance is provided.</p>
That the plan is not flexible enough to meet the needs of the council during the year	<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 then 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>

Audit Committee, 28 February 2013

<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. Training needs are assessed at least annually via the PDR process. If additional or specialised resources were required to deliver the plan these could be engaged within the allocated budget. 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. Reliability and integrity of management databases and information. Stewardship of financial and non financial assets. 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