

Report of:	Chief Internal Auditor
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Report Track:	Audit & Governance Committee only

**Audit & Governance Committee
26th March 2013
Internal Audit Plan for 2013-14**

1 Purpose of Report

- 1.1 To present to the Audit & Governance Committee the Internal Audit Plan for 2013-14

2 Recommendations

- 2.1 That the Committee notes the Audit Plan for 2013-14.

3 Key Issues and Reasons for Recommendation

- 3.1 Internal Audit has a duty to provide the Council with an annual opinion on the effectiveness of its internal control environment and governance arrangements. The work of Internal Audit is also used as one of the sources of assurance for the Annual Governance Statement.
- 3.2 Internal Audit is required to produce a plan of work to ensure that it can give an appropriate opinion on the Council's key risk areas and systems and provide sufficient coverage for the production of the Annual Governance Statement.
- 3.3 The Audit Plan is determined via a risk assessment exercise and the results of that exercise are detailed in the report along with the resources available within the team to deliver the work. The planned work is deemed to be sufficient to ensure that Internal Audit can deliver an appropriate opinion on the control environment and governance arrangements at the Council.

4 Report Detail

- 4.1 The Annual Audit plan is usually presented as part of the Internal Audit Strategy alongside the revised Terms of Reference for Internal Audit. Both of these documents are currently under review to produce common Terms of Reference and an Audit Strategy across Stafford BC and Cannock Chase DC for the Shared Internal Audit Service. There has been a delay in producing these new documents due to the issuing of Public Sector Internal Audit Standards which Internal Audit need to comply with from 1st April 2013, Cipfa are due to issue additional guidance to support the standards in April 2013. The revised Terms of Reference and Audit Strategy will be presented to the committee later in the year.

- 4.2 Internal Audit conducts an annual risk assessment and determines an audit plan for the year. So far as is possible we have identified the systems affected by shared services and planned to audit them across both Councils as one review. This is particularly important as there are a number of fundamental financial systems audits which have to be reviewed each year.

- 4.3 Meetings are held with Heads of Service and the Council's s151 Officer as part of the risk assessment process to obtain views and comments in relation to the composition of the Internal Audit Plan. Comments are also invited from the External Auditor.

- 4.4 A copy of the full audit needs assessment undertaken for 2013-14 is attached as Appendix 2. This shows two elements:-
 - The areas delivered as a Shared Service with Stafford Borough Council; and
 - Those services solely delivered by Cannock Chase District Council.

- 4.5 The risk assessment uses a number of factors to calculate a risk score for each area and the resulting scores are banded into three risk categories
 - High (scores over 100);
 - Medium (scores 50-99); and
 - Low (scores upto 49).

- 4.6 As in previous years the audit areas have then been ranked by the risk category and score to determine those audits that will be undertaken in 2013-14. The outcome of the risk assessment has resulted in the following categorisation of risk scores:

Audit Universe – Number of Audits by Risk

	Cannock	Shared
High	10	12
Medium	52	25
Low	0	3
Total	62	40

- 4.7 The resources available within the Internal Audit Section were then compared to the risk assessment in order to determine those audits that will be undertaken in 2013-14 and form the basis of the Audit Plan, with priority given to the highest risk scoring areas. Although most of the work of the team is contained in the Audit Plan some time is also set-aside for other work carried out by the team. This includes fraud related work, other consultancy reviews, provision of ad hoc advice and special investigations.
- 4.8 The resource available for the delivery of the Audit Plan across both authorities in 2013-14 is 900 days the full details are show in Appendix 3. This is broken down into

Allocation of Resources to Audit Plan Requirements

Shared Service Audits	300
Cannock Specific Audits	230
Stafford Specific Audits	310
IT Audit Plan	60
Total Days	900

- 4.9 Internal Audit has sufficient resources to review all of the High Risk areas in the risk assessment for the Cannock specific audits (those scoring 100 or higher) and the medium risk areas with a score over 90. The Audit Plan for 2013-14 covering the Shared Service Audits and the Cannock Specific Audits is included in Annex 1.
- 4.10 The Cannock Specific Audit Plan equates to 17 out of a possible 62 audits that have been risk assessed (approximately 27%) and comprises 100% (10/10) of the High Risk areas and 13% (7/52) of the medium risk areas.
- 4.11 In addition to the Cannock Specific work 12 audits have been included for Shared Service areas. This comprises all of the High Risk areas and equates to 30% of the 40 Shared Service Audits that have been identified.
- 4.12 For the large financial systems which appear on the Audit Plan annually (Housing Benefits, Council Tax, NNDR and Payroll) the section reviews half of the system in detail each year. This provides full coverage of the system over a 2 year period.
- 4.13 It is considered that the current resources of the Internal Audit section will allow sufficient work for an appropriate opinion to be given on the Council's key risk areas and systems and provide sufficient coverage for the production of the Annual Governance Statement.

- 4.14 The risk based approach to audit planning results in a comprehensive range of audits that are undertaken during the course of the year to support the overall opinion on the control environment. Examples include:-
- system based reviews of all key financial systems that could have a material impact on the Council's financial statements e.g. payroll, creditors;
 - regulatory audits of Council establishments e.g. Sheltered Housing Schemes; and
 - system based reviews of departmental systems/service areas e.g. Homelessness, Procurement and corporate processes.
- 4.15 The IT Audit Plan for 2013-14 is also contained in Annex 1. This is a shared plan which will be delivered across both Councils. The IT Audit Plan has been derived from the IT Audit Risk Assessment conducted in 2011. In total 5 IT Audits will be delivered by the IT Audit Contractor.

5 Implications

5.1 **Financial**

None

5.2 **Legal**

None

5.3 **Human Resources**

None

5.4 **Section 17 (Crime Prevention)**

None

5.5 **Human Rights Act**

None

5.6 **Data Protection**

None

5.7 **Risk Management**

None

5.8 **Equality & Diversity**

None

5.9 **Best Value**

None

6 Appendices to the Report

- Appendix 1 – Internal Audit Plan 2013-14 & IT Audit Plan 2013-14
- Appendix 2 – Audit Needs Assessment 2013-14 by Head of Service
- Appendix 3 – Available Audit Resources 2013-14

Background Papers

- Audit Plan File