

<b>AUDIT COMMITTEE</b>	AGENDA ITEM No.9
27 MARCH 2013	PUBLIC REPORT

Cabinet Member responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member responsible:	Councillor Lamb, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

### DRAFT INTERNAL AUDIT PLAN 2013 / 2014

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM : John Harrison, Executive Director: Resources</b>	<b>Deadline date : N/A</b>
<p>The Committee is asked to examine the draft Internal Audit Plan for 2013 / 2014 and:</p> <ul style="list-style-type: none"> <li>(i) Identify any areas for further consideration;</li> <li>(ii) Approve the draft audit plan; and</li> <li>(iii) Note the contents of the Internal Audit Charter.</li> </ul>	

#### 1. ORIGIN OF REPORT

- 1.1 This report is submitted to the Audit Committee in line with its agreed Work Programme for 2012 / 2013.

#### 2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to ensure that the Council reviews and agrees the audit activity for the next audit year.
- 2.2 This report is for Committee to consider under its Terms of Reference:
- 2.2.1.1 *To consider the annual report and opinion of the Executive Director – Strategic Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council’s corporate governance arrangements; and*
  - 2.2.1.16 *To consider the Council’s arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.*

#### 3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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#### **4. BACKGROUND**

- 4.1 This is the draft Annual Plan for Internal Audit for 2013 / 2014 for consideration by the Audit Committee. Liaison has taken place with Directorates and a copy of the draft plan has been sent to External Audit.
- 4.2 The Council is required under the Accounts and Audit Regulations 2011 to make provision for Internal Audit in accordance with proper practices in relation to internal control defined in the Guidance as the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (“the Code”). “The Code” defines standards on the way in which the Internal Audit Service should be established and undertake its functions. “The Code” will be replaced by new Internal Audit Standards with effect from 1 April 2013. There is a separate report on the Agenda covering this.
- 4.3 Ongoing resource pressures within the team have been more challenging this year, although not too detrimental to the delivery of the plan, due to the plan being prioritised. Issues include:
- The Chief Internal Auditor post is shared with Cambridge City Council and has been in operation since January 2011. Nevertheless, this arrangement only provides for approximately 50% of the previous resource. This has been factored into current and future plans. In addition, this will reduce further later in the year when South Cambridgeshire District Council joins the arrangement from July 2013;
  - Two posts have been vacant during the year and have occasionally been covered by a temporary resource. The delay in recruitment has been to provide a corporate saving in year. These vacancies will now need to be filled permanently in order to provide appropriate coverage going forward; and
  - Maternity leave of the Principal Auditor (0.6 FTE) since February 2013. It is forecast to remain empty for 12 months.

#### **5. DRAFT INTERNAL AUDIT PLAN 2013 / 2014**

- 5.1 The draft Audit Plan (**Appendix A**) documents the way in which Internal Audit intend to deliver the service and comply with the standards. In particular, it states how the work of Internal Audit will provide the assurances required for the production of the statutory Annual Governance Statement. We will achieve this by adopting a risk-based approach to our work; both at the level of annual planning and of individual audits, to ensure that the Council’s key priorities, objectives and risks are targeted.
- 5.2 The Annual Plan describes the individual audit reviews to be undertaken during the year. To determine the scope of the plan for 2013 / 2014 we have undertaken a systematic risk assessment of all auditable areas. This is informed by our review of the risk registers where available, consultation with Directors and Heads of Service, council and government initiatives and the Medium Term Financial Strategy. We have also determined the work required to fulfill statutory s.151 responsibilities.
- 5.3 The plan shows the minimum amount of work that the Internal Audit service has assessed should be undertaken after considering available resources. The plan for 2013 / 2014 is not a static document. The Chief Internal Auditor reserves the right to amend plans (in consultation with the s151 officer) in line with emerging risks and changing priorities as they occur throughout the year. Any major changes in the plan will be reported to those charged with governance and through to the Audit Committee on a periodic basis.

- 5.4 As in previous years, should any significant additional request work be required by Members or Officers, which leads to the potential for resources required exceeding the amount set aside, then the Chief Internal Auditor will establish the course of action to be taken in consultation with the Director of Resources and the Chair of Audit Committee. In the event of this occurring, a separate report will be produced to inform all Members of the Committee.
- 5.5 The result of the work set out in the Internal Audit plan will be the production of the annual audit opinion setting out an independent statement on the governance arrangements in place across the Council.
- 5.6 As detailed in the report elsewhere on the agenda on Public Sector Internal Audit Standards, an Internal Audit Charter is required to supplement how the Audit Plan will be delivered. This is documented in **Appendix B**.

## **6. CONSULTATION**

- 6.1 The Internal Audit Plan has been compiled after consultation with Directors and Heads of Service. It has also been submitted to External Audit for their comments.

## **7. ANTICIPATED OUTCOMES**

- 7.1 Approval of the Annual Plan 2013 / 2014 and associated documents.

## **8. REASONS FOR RECOMMENDATIONS**

- 8.1 The Council is subject to the Accounts and Audit Regulations and, as such, must make provision for Internal Audit in accordance with the CIPFA Code of Practice and the Public Sector Internal Audit Standards. It must also produce an Annual Governance Statement to be published with the Council's financial accounts. The attached reports demonstrate how the audit service will be provided and how it will contribute to the Statement.

## **9. ALTERNATIVE OPTIONS CONSIDERED**

- 9.1 The Internal Audit plan could be constructed on a cyclical basis, thus covering all areas of the Council over a period of time. This does not concord with current professional guidance and would not seek to target the limited resource available to areas of high risk. The alternative of not providing an Internal Audit service is not an option – see section 10 below.

## **10. IMPLICATIONS**

- 10.1 There would be a legal implication if an Internal Audit service was not provided for, and if mechanisms were not in place to carry out a review of internal control, governance and risk management as a basis for the Annual Governance Statement.

## **11. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- CIPFA: Code of Practice for Internal Audit in Local Government in the UK 2006

- Public Sector Internal Audit Standards
- Accounts and Audit Regulations 2011
- Local Government Act 1972
- Committee papers
- Risk Registers

## **12. APPENDICES**

- Appendix A - Draft Internal Audit Plan 2013 / 2013
- Appendix B - Internal Audit Charter