

Meeting:	GLT	Date:	5th March 2013
	Audit & Governance Committee		18th March 2013
Subject:	Internal Audit Plan 2013/14		
Report Of:	Group Manager Audit & Assurance		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Terry Rodway, Group Manager Audit & Assurance		
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Appendices:	Appendix A – Internal Audit Plan 2013/14		
	Appendix B – Internal Audit Risk Assessment		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To present to Members, for their consideration and approval, the Internal Audit Plan 2013/14.

2.0 Recommendations

- 2.1 Audit & Governance Committee is asked to **RESOLVE** that:-

(1) Members approve the Internal Audit Plan 2013/14 as detailed in **Appendix A**.

3.0 Background and Key Issues

- 3.1 The work of Internal Audit is carried out in accordance with, and is assessed against, the professional code of practice for Internal Audit. This Code includes a requirement for the Group Manager Audit & Assurance (GMAA) to prepare a risk-based plan that should be fixed for a period of no longer than one year.

4.0 Progress

- 4.1 The proposed Internal Audit Plan for 2013/14 follows risk-based principles and starts with the completion of an audit needs assessment of all the areas of the Council that could be included within an annual audit plan. This needs assessment is split into:-

4.1.1 Corporate Governance/ Annual Governance Statement (AGS)

The production of the AGS is a requirement under the Accounts and Audit Regulations 2011. The purpose of the AGS is to provide assurance that the Council's governance framework is adequate and effective. This area of Audit &

Assurance audit work is one of the key components of the internal control assessment that supports the completion of the AGS.

4.1.2 Work on fundamental financial systems

This is the work on the Council's financial systems, which are significant in relation to financial control and materiality. The work supports the Corporate Director of Resources to discharge his duties as the Council's s.151 Officer. It also forms a key element of the Joint Working Protocol with the Council's External Auditors, as the External Auditor can place reliance on the internal audit work on these systems. This will help inform their judgement on the Council's financial control environment, and is also one of the factors taken into account when calculating the External Audit fee.

4.1.3 Work of a service based or cross Council nature

This is all of the other service activities or cross cutting themed audit reviews that could be undertaken, which are risk scored using the risk-based approach detailed in paragraph 4.3 below.

4.1.4 Follow-up reviews

The plan will include follow-up reviews, which will ensure recommendations have been adopted and successfully implemented, providing the enhanced control/reduced level of risk exposure intended. The extent of this work will again be risk based dependant upon the audit findings and the recommendations made within the original audit reports.

4.1.5 Audit work brought forward

There will be a number of audit reviews, which are on going as at 31st March. Provision to complete this work is made in the annual plan.

4.1.6 Contingency

In line with the Code, the Annual Plan includes a contingency element to accommodate assignments which could not have been reasonably foreseen e.g. investigation of alleged fraud.

4.1.7 Work for Gloucester City Homes (GCH)

The Audit & Assurance team undertakes work for GCH under a service level agreement. A similar risk-based approach has been adopted to inform the annual audit plan for GCH.

4.1.8 Work for Aspire Sports & Cultural Trust (Aspire)

The Audit & Assurance team undertakes work for Aspire under a service level agreement. A similar risk-based approach has been adopted to inform the annual audit plan for Aspire.

4.2 The next stage is to apply the risk-based approach. The approach adopted borrows from various models and is based on allocating scores to a number of objective and subjective factors which, when multiplied together, produce a total risk score. The aim of the model is to indicate the relative risk of one activity over another based on knowledge of the assessment factors.

4.3 The various factors considered in determining the risk of an activity include the statutory requirement to undertake the function; the internal audit view of the control

environment based on previously completed audit work; the financial value of the activity; the period since the last audit review; the complexity of system in use; and the level of inherent risk. Details of the risk assessment approach are included in **Appendix B**.

- 4.4 In addition to the risk assessment outlined in paragraph 4.3, the Council's senior managers have been consulted on the key risk areas within their areas of responsibility.
- 4.5 Due to the nature and relevance of the assurance work for the AGS (para 4.1.1), and the audit work on the fundamental financial systems (para 4.1.2), both will automatically be included in the Annual Plan and not be subject to the detailed risk assessment.
- 4.6 Having completed the risk assessment, the next stage is for the assessment to be compared to resource availability, i.e. the number of audit days available. This is calculated as the gross number of days available during the year, less an allocation for leave, training, sickness etc. The number of available days for audit for 2013/14, based on the current establishment of 2.6 FTE audit staff is 560 days (215 days per FTE).
- 4.7 Risk is key to the planning process, but risk is not static, therefore the plan needs to be flexible to be able to reflect the changing risks and priorities of the organisation. Whilst some provision for flexibility is made through the inclusion in the plan of a contingency, this usually covers other unplanned items, which may impact on a small section e.g. additional sickness or investigation of alleged fraud. Any significant matters that may jeopardise the delivery of the Plan, or require changes to the Plan, will be identified and reported to the Audit & Governance Committee.

5.0 Alternative Options Considered

- 5.1 None.

6.0 Reasons for Recommendations

- 6.1 A requirement of the professional Code of Practice for Internal Audit is for the risk based Internal Audit plan to be approved by the appropriate body. In the case of GCC, this is the Audit & Governance Committee.

7.0 Future Work and Conclusions

- 7.1 Regular reports on achievement against the Plan, and any significant control issues identified, will be presented to the Audit & Governance Committee.
- 7.2 The professional code of practice for Internal Audit includes a requirement for the Group Manager Audit & Assurance (GMAA) to prepare a risk-based plan that should be fixed for a period of no longer than one year. The proposed Internal Audit Plan for 2013/14 follows risk-based principles and starts with the completion of an audit needs assessment of all the areas of the Council that could be included within an annual audit plan.

8.0 Financial Implications

8.1 There are no specific financial implications.

(Financial Services have been consulted in the preparation this report).

9.0 Legal Implications

9.1 There are no specific legal implications

(Legal Services have been consulted in the preparation this report).

10.0 Risk & Opportunity Management Implications

10.1 The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit, through the delivery of the annual audit plan, plays a vital part in advising the organisation that these arrangements are in place and operating properly.

11.0 People Impact Assessment (PIA):

11.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

12.0 Other Corporate Implications

Community Safety

12.1 There are no specific Community Safety implications identified.

Sustainability

12.2 There are no specific Sustainability implications identified.

Staffing & Trade Union

12.3 There are no specific Staffing and Trade Union implications identified.

Background Documents:

The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

The Public Sector Internal Audit Standards – effective from 01/04/13.

APPENDIX A

INTERNAL AUDIT PLAN 2013/14		
	Est. No. of Days	Total
Corporate Governance/AGS		
Risk Management	15	
Recruitment & Selection	10	25
Work on Fundamental Financial Systems		
Civica - Benefits	35	
Civica - Council Tax	12	
Civica - NNDR	12	
Civica - Sundry Debtors	12	
Payroll/Client monitoring	15	
Creditors	20	
Treasury Management	10	
Cash & Bank	15	
General Ledger (including year - end Creditors & Debtors)	20	
Budgetary Control	10	
Capital Accounting	10	
Financial Services/External Audit recs	10	
FMS upgrade	5	186
Work of a service based or cross Council nature		
IT	20	
Streetcare Contract/Client Monitoring	25	
NFI Data Matching	10	
Improvement Grants	8	
Catering	10	
Off-Street Parking - client	5	
Development Control	8	
Utilities	15	
Homelessness	8	
Elections	4	
NDR Pooling Arrangements	8	121
Follow-Up Reviews		
24 Audits @ 2 days per Follow-Up review		48
GCH		60
ASPIRE		40
Contingency		60
Audit Work Brought Forward		20
TOTAL		560

APPENDIX B

INTERNAL AUDIT RISK ASSESSMENT

ASSESSMENT	SCORE	DESCRIPTION
Monetary Value – sum of income and expenditure	10	>£3.0M
	6	>£1.0M < £3.0M
	4	>£0.5M < £1.0M
	2	>£100K < £0.5M
	1	<£100k
Inherent Risk	5	High exposure to public scrutiny, complex legal framework, high volume of transactions, statutory function, outsourced/partnership arrangement for service delivery
	4	High volume of 'cash' transactions and/or exposure to public scrutiny, and/or statutory function
	3	High volume of 'cash' transactions, and/or statutory function.
	2	Low volume of 'cash' transactions, non-statutory function.
	1	Low volume of transactions, non-statutory function.
Internal Audit control perception	4	Poor control system, and/or high opportunity for fraud and corruption/Unsatisfactory level of assurance
	3	Control weaknesses that needed rectification last audit/Limited level of assurance
	2	Control environment proved adequate last audit/Satisfactory level of assurance
	1	Control environment has proved adequate for a number of years/Good level of assurance
Complexity of Systems	5	Very complex systems and processes used in generating significant service related results
	4	Complex data inputs, or strategically/operationally important outputs
	3	Moderate systems but accuracy of process has significant impact, systems stability issues
	2	Complex or moderate systems with stable performance and processing history
	1	Simple or no ICT system used
Period since last audit	4	3+ years
	3	3 years
	2	2 years
	1	Last financial year