



East  
Northamptonshire  
Council

## Scrutiny Committee – 3 April 2013

### Welland Internal Audit Consortium – Annual Internal Audit Plan 2013-14

#### Purpose of report:

The report seeks Member endorsement of the proposed Annual Internal Audit Plan for 2013/14; to explain the basis of the planning process and the various elements making up the plan; and to indicate how the planning and delivery process meet the mandatory requirements implicit in the Public Sector Internal Audit Standards.

#### Attachment(s):

Appendix 1: Detailed Report Internal Audit Plan for 2013/14  
Appendix A: Draft Internal Audit Plan 2013/14

#### 1.0 Background

- 1.1 The purpose of the report is to gain committee approval of the Internal Audit Plan for 2013/14 in line with the requirements of the Public Sector Internal Audit Standards.
- 1.2 The introduction of the Public Sector Internal Audit Standards and changes in the External Audit Regime have affected the approach that should be taken to develop the Annual Internal Audit Plan.

#### 2.0 Development of the Internal Audit Plan 2013/14

- 2.1 Appendix 1 to this report provides further detail on the development of the 2013/14 plan, which was completed as closely as possible in conformity with the newly introduced Public Sector Internal Audit Standards.
- 2.2 Appendix A provides the draft Internal Audit Plan for 2013/14 for Members' endorsement.

#### 3.0 Equality and Diversity Implications

- 3.1 There are no equality and diversity implications arising from the report

#### 4.0 Legal Implications

- 4.1 There are no legal implications arising from the report.

#### 5.0 Risk Management

- 5.1 There are no significant risks arising from the proposed recommendations in this report.

#### 6.0 Financial Implications

- 6.1 There are no financial implications arising from the report

#### 7.0 Corporate Outcomes

- 7.1 Effective Management - The Annual Audit Plan is designed to provide Members with

assurance as to the effective management of the council's most significant risks.

## 8.0 Recommendation

8.1 The committee is recommended to agree the Annual Internal Audit Plan for 2013/14 as per Appendix A.

<b>Legal</b>	Power:				
	Other considerations:				
<b>Background Papers:</b> None					
<b>Person Originating Report:</b> Nicola Scott, Audit Manager, 07787 860067, nscott@rutland.gov.uk					
<b>Date:</b> 8 March 2013					
<b>CFO</b>		<b>MO</b>		<b>CX</b>	

(Committee Report Normal Rev. 22)

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### Appendix 1 to Item 6b - Scrutiny Committee 3 April 2013

#### 1 Introduction

1.1 As previously reported, the Public Sector Internal Audit Standards were introduced with effect from the 1<sup>st</sup> April 2013. The Standards have modified the approach to Internal Audit Planning in two ways:

- Firstly, the audit plan should be developed using a 'zero based' approach reflecting the key risks that have been identified by clients; and
- Secondly, the audit plan should then be endorsed by an effective and engaged Audit Committee who can confirm that the plan addresses their assurance requirements.

1.2 In addition to this, changes in the External Audit regime and their requirements have also impacted on the annual Internal Audit planning approach.

#### 2 Development of the Annual Audit Plan

2.1 The Public Sector Internal Audit Standards require that the annual Internal Audit Plan must be based on an annual risk assessment including input from the council's senior management.

However due to the late release of the Standards in 2012, there was limited time in which to carry out such a planning exercise.

In order to conform as closely as possible with the Standards, the Consortium carried out a risk identification workshop with the members of CMT, in which risks areas were identified, discussions took place on how these risks could be audited and how assurance could provide value. Identified risks were then prioritised in term of impact and likelihood. The result of this workshop is attached as the draft Internal Audit Plan in Appendix A.

2.2 In future years it is anticipated that more thought and time can be spent to develop a more effective way to identify high risk areas to include within the audit plan. This will be completed as and when guidance on the Standards, and how they should be implemented, is released. There will be resource implications – which should be manageable – in 2013/14.

2.3 The changes in the External Audit regime also resulted in changes in the way the Internal Audit Plan could be developed. Historically External Audit would rely heavily on the work of Internal Audit when designing their annual work

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plan, with the result that the more Internal Audit work that could be relied on the less work External Audit would need to complete and the lower their fee would be. Under the new External Audit arrangements, the External Auditors will not be reviewing Internal Audit work on every fundamental financial system and so these do not need to be automatically included within the Audit Plan for 2013/14. However during discussion the council's Section 151 Officer determined that he wished all audits of fundamental financial systems to be carried out again during 2013/14. It is anticipated that the volume of testing of financial systems will reduce in future years to reflect confidence in controls in place.

- 2.4 As Information and Computer Technology underpin the work of the entire Council, an element of ICT work has been included in the Plan, the content of which was subject to a separate risk analysis.
- 2.5 An element of Counter-fraud work is also included in the Plan to address the release of the Local Government Fraud Strategy and related documentation. Audit activities in the remaining areas of 'Governance' and 'Service Delivery' were also identified and make up the remainder of the plan.

### **3 Annual Audit Plan**

- 3.1 The draft Annual Audit Plan for 2013/14 is shown in Appendix A to this report. The draft is the result of the assessment by CMT of the council's current and emerging risk to Strategic Aims and Service Delivery.
- 3.2 It should be noted that the Plan has an element of flexibility within it, in that a pool of days has been allocated to the work to be completed to provide assurance on the risks to Service Delivery. The intention is to scope and complete the audits in terms of priority until this budget is exhausted.

Assumptions have already been made by client Officers over the days required to complete audits in the areas of Financial, ICT, Fraud and Governance audits.

- 3.3 However it should also be noted that under the new Public Sector Internal Audit Standards the Audit Committee must act as 'Gate Keepers' to 'significant' in year changes to the Internal Audit Plan. For example if circumstances during the year resulted in a client Officer identifying an area that they felt merited a higher priority than those already identified and which they would rather have included in the Plan, authorisation from the

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committee would need to be sought to make the change. Before doing so the committee would need to be satisfied that such a change would not impact, negatively, on the ability for Internal Audit to provide an adequate level of assurance to the committee.

Due to the timings of Committee meetings, it may be appropriate to seek the Chair's approval for such a change to the Plan should such a situation arise.

#### **4. Completion of the Annual Audit Plan**

4.1 During the completion of the Annual Audit Plans for 2013/14 across the Consortium, the sharing of ideas and best practice will be used where possible. Such sharing should be possible in two areas:

- Firstly it may be possible to share assurance from other areas. For example if an audit is carried out at Corby Borough Council which concerns the EnCor team, as providers of services to the council the assurance would also be applicable to the council.
- Secondly where audits are carried out in similar audit areas then it may be possible to pass on examples of efficiencies, effective working and/or best practice. Areas where audits will be completed at multiple sites have currently been identified and include ICT work, Financial Management, Individual Voter Registration and the continued impact of the Welfare Reform.

Item 6b - Appendix A – Draft Internal Audit Plan 2013/14

East Northamptonshire Internal Audit Plan 2013.14					
Entity Type	Priority	Entity	Days	Days Per Entity Type	Plan Total
<b>Non Audit</b>		Committee Preparation & Attendance, Client Liaison, External Audit Liaison, Recommendation Follow Up		15	
<b>Financial</b>	1	Benefits (to include Welfare Reform changes & Fraud risks)	15	90	
	2	Local Taxes (to include Welfare Reform changes & Fraud risks)	15		
	3	Financial Management / Service Planning linkages / Budgeting & Budgetary Control	20		
	4	Creditors (to include Fraud risks)	10		
	5	Payroll (to include Fraud risks)	10		
	6	Main Accounting, Fixed Assets & Cash & Banking	10		
	7	Debtors	5		
	8	Treasury Management	5		
<b>ICT</b>	1	Physical security including laptops and other mobile devices	12	40	
	2	Logical security including data security and remote access rights (including control of software suppliers) / Virus Protection Software / PSN 1.4	12		
	3	Disaster Recovery / Backups / Business Continuity	12		
	4	ICT Contingency	4		
<b>Fraud</b>	1	Findings from Payroll, Local Taxes, Benefits and Procurement (Creditors) work. Plus any other Fraud Work if identified.	5	5	
<b>Governance</b>	1	Constitutional & Governance Arrangements	10	35	
	2	Data Management – Including Retention, Protection & Disposal	18		
	3	Joint Resilience Partnership Arrangement Review	7		
<b>Service Delivery</b>	1	Licensing Partnership Arrangements and Shared Assurance	tbd	45	
	2	Elections Services including Individual Registration	tbd		
	3	Waste Management Contract	tbd		
	4	Disabled Facilities Grants	tbd		
	5	Housing Options	tbd		
				<b>Planned</b>	<b>230</b>