

AGENDA ITEM 8

GOVERNANCE COMMITTEE

2 APRIL 2014

REPORT OF HEAD OF WELLAND INTERNAL AUDIT CONSORTIUM

INTERNAL AUDIT PLAN 2014/15

1.0 PURPOSE OF REPORT

- 1.1 To allow Members to approve the Annual Audit Plan for 2014/15; and to explain the basis of the planning process and the various elements making up the Plan.

2.0 RECOMMENDATIONS

- 2.1 That Members approve the 2014/15 Audit Plan.

3.0 KEY ISSUES

- 3.1 The Public Sector Internal Audit Standards (The Standards) require that the annual audit plan is developed using a 'zero based' approach which captures the key risks that have been identified by clients; that the planning process provides opportunities for the Council's senior managers and its Audit Committee to engage in the planning process; and that the plan is formally endorsed by the Audit Committee.
- 3.2 The process of developing the 2014/15 Plan began prior to the last meeting of Governance Committee. Training delivered prior to that meeting covered the proper role of the Committee in the planning process and Members made a number of suggestions about assignments which might be included in the Plan. The next stage in the process involved a Management Team "workshop" facilitated by the Head of Consortium at which the Council's risk registers were reviewed; reference was made to a separate analysis of ICT risks undertaken by a specialist ICT audit consultant; consideration was given to assignments suggested by Members; and senior managers identified and defined a range of risks. The draft Plan captures those risks: the Consortium has the capacity to deliver assurance about the risks identified.
- 3.3 The draft Audit Plan developed – and shown as Appendix A to this report – has been stratified to ensure that the range of audit work commissioned covers all aspects of the Council's risk exposure. Indicative budgets have been set for individual assignments but actual budgets will be flexed to reflect the exact range of assurance sought by the client managers when Audit Planning Records (i.e. terms of reference) are agreed.
- 3.4 The draft Audit Plan makes provision for 20 days of counter-fraud activity. In the course of developing the draft Plan the Head of Consortium has reviewed the outcome of counter-fraud work undertaken during 2013/14 and considered the evidence from other audit assignments about the effectiveness of controls in place to mitigate the inherent risk of fraud. On the basis of the available evidence, it is judged that this is an appropriate investment in specific counter-fraud activity in 2014/15.
- 3.5 The Council has commissioned 235 audit days from the Consortium to resource the 2013/14 Audit Plan. An allowance – of 20 days - has been made to allow for: Committee preparation and attendance; training and development of the "Audit Committee"; client liaison meetings; meetings and liaison with External Audit; and following-up Audit Recommendations. In addition a contingency allowance of 20 days has been created to accommodate any requests for unplanned work – or for planned assignments where the commissioning manager requires a wider than anticipated range of assurance.

3.6 The Standards require the Committee to act as 'Gate Keeper' - satisfying itself that the Plan it approves meets the Council's needs for assurance; considering any proposals for 'significant' in-year changes to the Audit Plan and being satisfied that changes proposed do not affect the overall level of assurance; and – if appropriate – commissioning changes to the Plan where evidence obtained from completed assignments or other sources suggests that more or different assurance is required.

4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 The proposed level of audit coverage set out in Appendix A would provide an appropriate level of assurance as to the effectiveness of the Council's control framework in managing its risks. That assurance could be applied in support of the Annual Governance Statement for 2014/15.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 Budgetary provision has been made for the 235 days of audit work identified in the draft Plan.

6.0 LEGAL IMPLICATIONS/POWERS

6.1 There are no legal implications arising directly from this report.

7.0 COMMUNITY SAFETY

7.1 There are no Community Safety implications arising directly from this report.

8.0 EQUALITIES

8.1 There are no Equalities implications arising directly from this report.

9.0 RISKS

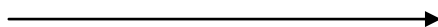
9.1 If Members, discharging the role of the Council's Audit Committee, do not demonstrate that they are engaged in effective consideration of the Audit Plan and the risks for which assurance is offered, the Council's governance arrangements may be compromised. Failure to demonstrate engagement may also result in adverse reporting from the Council's External Auditor.

Probability



Very High A				
High B				
Significant C				
Low D		1, 2		
Very Low E				
Almost Impossible F				
	IV Neg- ligible	III Marg- inal	II Critical	I Catast- rophic

Impact



Risk No.	Description
1	Failure to demonstrate effective oversight
2	Failure to deliver Audit Plan

9.2 If the Consortium fails to deliver the Annual Audit Plan weaknesses in controls may not be identified placing the Council at avoidable risk. Such failure might again result in adverse reporting from the Council's External Auditor.

10.0 CLIMATE CHANGE

10.1 There are no Climate Change implications arising directly from this report.

11.0 CONSULTATION

11.1 N/A

12.0 WARDS AFFECTED

12.1 All wards are indirectly affected by the report

Contact Officer: Richard Gaughran
Date: 1/3/14

Appendices: Appendix A

Background Papers: N/A

Reference: N/A