

# AUDIT & GOVERNANCE COMMITTEE

23<sup>rd</sup> January 2012

## INTERNAL AUDIT - PROVISIONAL AUDIT ANNUAL PLAN - 2012/13

Relevant Portfolio Holder	Councillor Michael Braley
Portfolio Holder Consulted	No
Relevant Head of Service	Jayne Pickering, Executive Director (Finance and Corporate Resources)
Wards Affected	All Wards
Non-Key Decision	

### 1. SUMMARY OF PROPOSALS

To present to Members:

- a) the Redditch Borough Council Provisional Internal Audit Operational Plan for 2012/13 for approval, see Appendix 1; and
- b) the Internal Audit Shared Service's set of key performance indicators for 2012/13 for approval, see Appendix 2.

### 2. RECOMMENDATIONS

**The Committee is asked to RESOLVE**

**that the provisional programme of work attached at Appendix 1 be approved.**

### 3. BACKGROUND

#### Internal Audit Aims and Objectives

3.1 The objectives of the Worcestershire Internal Audit Shared Service are to:

- a) examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the council and recommend arrangements to address weaknesses as appropriate;
- b) examine, evaluate and report on arrangements to ensure compliance with legislation and the council's objectives, policies and procedures;
- c) examine, evaluate and report on procedures to check that the council's assets and interests are adequately protected and effectively managed;

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- d) undertake independent investigations into allegations of fraud and irregularity in accordance with council policies and procedures and relevant legislation; and
  - e) advise upon the control and risk implications of new systems or other organisational changes.
- 3.2 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2003 (as amended 2006) to “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.
- 3.3 To aid compliance with the regulation, the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 details that “Internal Audit work should be planned, controlled and recorded in order to determine priorities, establish and achieve objectives and ensure the effective and efficient use of audit resources”.

### **Formulation of Annual Plan**

- 3.4 The Internal Audit Plan for 2012/13, which is included **at Appendix 1**, is a risk based plan which takes into account the adequacy of the council’s risk management, performance management and other assurance processes. It has been based upon the risk priorities per discussions with Directors and Heads of Service as well as upon an independent risk assessment of the audit universe by Internal Audit. The Internal Audit Plan for 2012/13 has been agreed with the council’s section 151 officer.
- 3.5 By bringing a provisional plan of work to Members at this stage of the planning process it allows Members to have a positive input into the audit work programme for 2012/13 and make suggestions as to where they feel audit resources should be directed. As with all plans it may subject to review as the year progresses in consultation with the section 151 Officer.

## **4. KEY ISSUES**

### **Resource Allocation**

- 4.1 The Internal Audit Plan for 2012/13 has been based upon a resource allocation of 484 chargeable days, a resource allocation which has been agreed with the council’s section 151 officer. The Service Manager of the Worcestershire Internal Audit Shared Service is confident that, with this resource allocation, she can provide management, external audit and those charged with governance

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with the assurances and coverage that they require over the system of internal control, annual governance statement and statement of accounts. The Internal Audit Plan for 2012/13 is set out at **Appendix 1**.

### **Financial implications**

- 4.2 The agreed charge to the council for the delivery of the Internal Audit service for 2012/13 is £144,947. The charge for the delivery of the service in 2011/12 was also £144,947.

### **Monitoring and reporting of performance against the Plan**

- 4.3 Operational progress against the Internal Audit Plan for 2012/13 will be closely monitored by the Service Manager of the Worcestershire Internal Audit Shared Service and will be reported to the Shared Service's Client Officer Group, which comprises the section 151 officers from client organisations, on a quarterly basis and to the Audit Committee on a quarterly basis.
- 4.4 The success or otherwise of the Internal Audit Shared Service will be determined by the performance against a set of key performance indicators which have been developed for the service. These have been agreed with the council's section 151 officer and are included at **Appendix 2**.

## **5. OTHER IMPLICATIONS**

### **Financial Implications**

- 5.1 There are no direct financial implications arising out of this report as the provision is in line with that agreed with the council's section 151 officer in December 2010 as part of the restructuring of the Internal Audit Shared Service.

### **Legal Implications**

- 5.2 See 3.2 above.

### **Service/Operational Implications**

- 5.3 There are no direct operational implications arising out of this report.

### **Customer / Equalities and Diversity Implications**

- 5.4 There are no implications arising out of this report.

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### **6. RISK MANAGEMENT**

6.1 The main risks associated with the details included in this report are:

- a) Failure to complete the planned programme of audit work within the financial year; and
- b) The continuous provision of an internal audit service is not maintained.

6.2 These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area. The Service Manager for the Worcestershire Internal Audit Shared Service is confident that these risks are being managed appropriately to ensure that such that management, external audit and members are provided with the assurances that they require over the system of internal control and for the Annual Governance Statement and Statement of Accounts.

### **7. APPENDICES**

- Appendix 1 Provisional Internal Audit Plan for 2012/13
- Appendix 2 Key Performance Indicators for Internal Audit Shared Service 2012/13

### **8. BACKGROUND PAPERS**

None.

### **AUTHOR OF REPORT**

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