

MEETING :	AUDIT AND GOVERNANCE COMMITTEE
DATE:	13 MAY 2013
TITLE OF REPORT:	INTERNAL AUDIT PLAN 2013/14
REPORT BY:	HEAD OF INTERNAL AUDIT

1. Classification

Open.

2. Key Decision

This is not a key decision.

3. Wards Affected

County-wide.

4. Purpose

The purpose of this report is to seek the Audit and Governance Committee's approval of the Annual Internal Audit Plan for 2013/14.

5. Recommendation

THAT, subject to any comments, the Annual Internal Audit Plan 2013/14 is approved.

6. Key Points Summary

- The draft Annual Internal Audit Plan for 2013/14 is set out in Appendix 1.
- The Plan sets out the work required for Internal Audit to give an opinion on the adequacy and effectiveness of the Council's risk management, governance and internal control arrangements.
- Discussions are on-going over possible changes to the Internal Audit arrangements to reflect the distinct organisational status of Hoople. This may lead to the removal of certain audits from the Council's audit plan, with the work instead being performed as part of Hoople's internal audit arrangements and the Council receiving assurance from Hoople over the operation of controls. Any change to the internal audit arrangements will require an amendment to the 2013/14 Plan.

7. Alternative Options

- 7.1 There are no alternative options as this Plan is a requirement of the Public Sector Internal Audit Standards (PSIAS).

8. Reasons for Recommendations

- 8.1 To ensure the Council complies with recommended practice as set out in the PSIAS.

9. Introduction and Background

- 9.1 Preparation and adoption of the Annual Internal Audit Plan represents best practice as required by the PSIAS and the document is an integral part of the Council's internal control assurance process. Under its terms of reference the Audit and Governance Committee is required to review and approve the Annual Internal Audit Plan.

10. Key Considerations

Internal Audit Plan 2013/14

- 10.1 The Annual Internal Audit Plan (attached at Appendix 1) is a risk based plan that takes account of the Council's risks, key issues and objectives. This plan has been compiled through discussions with the Chief Officer: Finance & Commercial, input from senior management across the Council, Internal Audit's knowledge of the Local Government sector, a desk top review of key documents such as the Council's risk registers and a review of findings from previous internal audits.
- 10.2 In the light of the financial challenge being faced by the Council it is appropriate that Committee note that the plan may be amended as the year progresses to accommodate any emerging pressures in Adult Social Care.

Hoople

- 10.3 Hoople provides financial, IT and other back office services on behalf of the Council covering many of the systems traditionally audited through the Council's Internal Audit Plan. The systems audited have continued to be covered through the Council's Internal Audit Plan since the establishment of Hoople as a stand-alone entity, allowing time for Hoople to embed. However, this has meant that certain audits have been conducted for, and reported to, the Council when in fact they relate to systems, operations and controls that are actually managed on a day-to-day basis by Hoople.
- 10.4 Discussions have therefore been held with the Chief Officer: Finance & Commercial and Hoople's management over possible changes to the Internal Audit arrangements to reflect the distinct organisational status of Hoople. This may lead to the removal of certain audits from the Council's audit plan, with the work instead being performed as part of Hoople's own internal audit arrangements. If effected, this would mean that these audits would be reported to Hoople's management and audit committee, rather than directly to the Council. However, the Council would continue to receive assurance from Hoople over the operation of controls for these areas. In practice, the operational model of KPMG managing an Internal Audit team managed by Hoople would allow combined audits to be undertaken, allowing full consideration of systems and controls on both the client side (Council) and contractor side (Hoople).
- 10.5 These discussions are still on-going and as a result the Internal Audit Plan presented at Appendix 1 does not reflect any change. Should the changes be pursued, they will need to be approved by both the Audit and Governance Committee and Hoople's audit committee and amendment to the 2013/14 Plan.

11. Community Impact

11.1 This report does not impact on this area.

12. Equality and Human Rights

12.1 This report does not impact on this area.

13. Financial Implications

13.1 The internal audit service will continue to be delivered within the current budgeted level of resource and using the existing operating model of KPMG managing the 'in-house' team (who are employed by Hoople Ltd).

14. Legal Implications

14.1 The Accounts and Audit Regulations 2011 require that local authorities in England "undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". An adequate and effective Internal Audit function which is led by a robust Internal Audit Plan is fundamental to the fulfilment of these requirements.

15. Risk Management

15.1 There is the risk that the Annual Internal Audit Plan does not take into account the key issues and risks facing the Council and does not provide adequate coverage of the Council's key systems for the Head of Internal Audit to form an opinion on the Council's control environment. The process by which the plan has been compiled mitigates this risk.

15.2 There is also a risk that there may be insufficient resources available to deliver the planned programme of audit work. To mitigate this, the plan has been based on an assessment of the resources available from both Hoople and KPMG. Regular meetings are held between the Head of Internal Audit and the Chief Officer: Finance & Commercial which allows regular monitoring of resource availability.

16. Consultees

16.1 The HPSLT and the Chief Officer: Finance & Commercial were consulted in the drafting of this report.

17. Appendices

17.1 Internal Audit Plan 2013/14.

18. Background Papers

18.1 None.