

REPORT TO: Audit Committee	DATE 22nd March 2011	CLASSIFICATION Unrestricted	REPORT NO.	AGENDA NO. 6.2
REPORT OF: Corporate Director, Resources ORIGINATING OFFICER(S): Tony Qayum, Head of Audit Services		Internal Audit Plan for 2011/12 Financial Year Ward(s) Affected: N/A		

1. Introduction

- 1.1 This report presents the proposed Annual Internal Audit Plan for 2011/12. The plan was compiled using the Internal Audit Strategy was last approved by CMT and the Audit Committee in March 2010 and endorsed each year thereafter as part of the annual planning process.
- 1.2 The internal audit strategy details the methodology for developing the annual audit plan and sets out the role of internal audit and the process by which to direct the work of audit. The first step in this methodology is to obtain information about the population from which audit activity is to be selected. This was achieved by consulting with key officers, reviewing the authority's corporate plan and risk registers and meeting with external audit. By gathering information and assessing the risks affecting each auditable system, resources have been directed at those areas with the highest risk significance. Details of the strategy are attached at Appendix 2 for information.

2. Recommendation

- 2.1 That Audit Committee endorse the Annual Internal Audit Plan for 2011/12 (Appendix 1) and the accompanying internal audit strategy.

3. **Background / Methodology**

- 3.1 The methodology for developing the Internal Audit Plan focuses upon the quantification of the risks associated with achieving corporate and departmental objectives.
- 3.2 This process uses four assessment categories to produce a risk index for each auditable area. The auditable area is scored in each category using assessment criteria to gauge the degree of risk or materiality associated with the particular area. The table below summarises the four assessment categories and what each is intended to measure.

Assessment Category		Measure
A	Corporate Importance – Objectives/Priorities	Corporate materiality
B	Corporate Sensitivity – Impact	Reputational materiality
C	Inherent Risk	Inherent vulnerability
D	Control Risk	Control effectiveness

- 3.3 Following this assessment, those systems with the highest score were added to the audit plan based on the resources available. In addition to the above assessment, auditable areas that have a low score, but in order to support the work of external audit or to provide assurance to key officers, are necessary also feature in this audit plan. These include areas such as the reviews of key financial systems and management requests.

Resources

- 3.4 The table below shows how provisionally the plan will be resourced between the in-house staff and our strategic internal audit partner, Deloitte.

Audit Resources 2010/11		Days	Days
Deloitte	Core Audits	477	
	Computer Audit	81	
			558
In-house	4 auditors @ 195 days pp	780	
	Management	150	930
TOTAL			1,488
PLAN TOTAL			1,488

Annual Audit Plan

- 3.5 Appendix 1 shows the annual audit plan and provides a brief summary of the scope of each review. The plan also shows the significance of the systems (High, Medium or Low), and where relevant, the source of the auditable area and its link to the authority's corporate priorities.
- 3.6 In summary, for 2011/12, the Internal Audit Plan comprises of 1,488 days across all directorates, covering a range of audit activity including contract and computer audit. The table below shows the comparison with the original and revised audit plans for 2010/11, which includes a provision of 200 days for proactive audit work as discussed previously at CMT and Audit Committee.

	Original plan 2010/11	Revised Plan 2010/11	Audit Plan 2011/12
Corporate systems	195	160	122
Chief Executive's	80	60	15
Children's Services	360	340	164
Communities, Localities and Culture	95	80	83
THH	145	145	133
Development & Renewal	115	95	76
Adult Health and Wellbeing	100	90	78
Resources	218	210	191
Contract audit	50	50	50
Computer audit	100	100	91
VFM & pro-active fraud	70	198	15
Follow-up	150	150	120
Management	100	100	50
Reactive fraud work	100	100	100
Management requests (Following Transformational change)	-	-	200
Total	1,878	1,878	1,488

4. Comments of the Chief Financial Officer

4.1 These are contained within the body of this report.

5. Concurrent Report of the Assistant Chief Executive (Legal Services)

5.1 There are no immediate legal implications arising from this report.

6. One Tower Hamlets

6.1 There are no specific one Tower Hamlets considerations.

6.2 There are no specific Anti-Poverty issues arising from this report.

7. Risk Management Implications

7.1 This report summarises the work internal audit plan to do based on the risk assessment carried out by the team. The purpose of the audit plan is highlight areas that audit will review to provide assurance over the systems and process of those areas highlighted in the plan.

8. Sustainable Action for a Greener Environment (SAGE)

8.1 There are no specific SAGE implications.

Local Government Act, 1972 SECTION 100D (AS AMENDED)

List of "Background Papers" used in the preparation of this report

Brief description of "background papers"

Contact :

N/A

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