

REPORT TO: Audit Committee	DATE 20 March 2012	CLASSIFICATION	REPORT NO.	AGENDA NO. 5.2
REPORT OF: Corporate Director, Resources		Annual Internal Audit Plan for 2012/13 Financial Year		
ORIGINATING OFFICER(S): <i>Minesh Jani, Head of Risk Management and Audit</i>		<i>Ward(s) Affected: N/A</i>		

1. Introduction

- 1.1 This report presents the proposed Annual Internal Audit Plan for 2012/13. The plan was compiled using the Internal Audit Strategy approved by the Audit Committee in December 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 the Audit Committee endorse the Annual Internal Audit Plan for 2012/13 (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 medium or low score, but in order to support the work of external audit or to provide assurance to key officers, also feature in this audit plan. These include areas such as the reviews of key financial systems, governance arrangements, grant audits, cash income and regularity/probity audits.

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 through the L.B of Croydon Framework Agreement.

Audit Resources 2011/11		Days	Days
Deloitte	Core Audit	315	
	Computer Audit	80	
			395
In-house	4 auditors @ 195 days pp	780	
	Management	150	930
TOTAL			1,325
PLAN TOTAL			1,325

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. For some audits, the precise scope and sample to be selected for testing will be decided nearer the time of the audit.
- 3.6 In summary, for 2012/13, the Internal Audit Plan comprises of 1,325 days across all directorates. In line with the established protocols, all changes to the agreed 2012/13 plan will be reported to the CMT and Audit Committee in December 2012.

	Original plan 2011/12	Revised Plan 2011/12	Audit Plan 2012/13
Corporate systems	122	163	128
Chief Executive's	15	10	15
Children, Schools and Families	164	170	197
Communities, Localities and Culture	83	107	99
Tower Hamlets Homes	133	131	135
Development & Renewal	76	71	116
Adult Health and Wellbeing	78	75	76
Resources	191	200	224
Contract audits	50	50	-
Computer audit	91	91	80
VFM audits	15	95	-
Follow-up, management and reactive fraud provision	470	325	255
Total	1,488	1,488	1,325

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 seeks to profile the work of internal audit to focus on areas where the authority seeks assurance.

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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