

REPORT TO: Audit Committee	DATE 26th March 2013	CLASSIFICATION Unrestricted	REPORT NO.	AGENDA NO.
REPORT OF: Corporate Director, Resources		Internal Audit Plan 2013/14		
ORIGINATING OFFICER(S): Head of Risk Management and Audit		Ward(s) Affected: N/A		

1. Introduction

- 1.1 This report presents the proposed Annual Internal Audit Plan for 2013/14. 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 Audit Committee endorse the Annual Internal Audit Plan for 2013/14 (Appendix 1).

LOCAL GOVERNMENT ACT 1972 (AS AMENDED) SECTION 100D

LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of "background papers"

Name and telephone number of holder
And address where open to inspection

N/A

Minesh Jani, 0207 364 0738

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 2013/14		Days	Days
Deloitte	Core Audit	385	
	Computer Audit	90	
			475
In-house	4 auditors @ 195 days	780	
	Management	150	930
PLAN TOTAL			1,405

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 2013/14, the Internal Audit Plan comprises of 1,405 days across all directorates. In line with the established protocols, all changes to the agreed 2013/14 plan will be reported to the Audit Committee in December 2013.

	Original plan 2012/13	Revised Plan 2012/13	Audit Plan 2013/14
Corporate systems	120	165	60
Chief Executive's	15	-	10
Children, Schools and Families	197	267	-
Education, Social Care and Welfare	-	-	275
Communities, Localities and Culture	99	109	105
Tower Hamlets Homes	135	165	135
Development & Renewal	104	136	115
Adult Health and Wellbeing	76	44	-
Resources	244	234	315
Computer audit	80	80	90
Follow-up, management and reactive fraud provision	255	185	300
Total	1,325	1,385	1,405

4. Comments of the Chief Financial Officer

These are contained within the body of this report.

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

The Council is required to ensure that it has a sound system of internal control that facilitates effective exercise of the Council's functions and includes arrangements for the management of risk. The Council is also required to maintain an effective system of internal audit of its system of internal control in accordance with proper practices. One of the functions of the Audit Committee under the Council's Constitution is to review internal audit findings. The consideration by the Audit Committee of this report is consistent with the Council's obligations and is within the Committee's functions.

6. One Tower Hamlets

There are no specific one Tower Hamlets considerations.

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

7. Risk Management Implications

This report highlights risks arising from weaknesses in controls that may expose the Council to unnecessary risk. The risks highlighted in this report require management responsible for the systems of control to take steps so that effective governance can be put in place to manage the authority's exposure to risk.

8. Sustainable Action for a Greener Environment (SAGE)

There are no specific SAGE implications.