

REPORT TO: Audit Committee	DATE 18 March 2014	CLASSIFICATION Unrestricted	REPORT NO.	AGENDA NO.
REPORT OF: Corporate Director, Resources ORIGINATING OFFICER(S): Head of Risk Management and Audit		Annual Audit Plan for 2014/15 Ward(s) Affected: N/A		

1. Introduction

- 1.1 This report presents the proposed Annual Internal Audit Plan for 2014/15. 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 Committee endorse the Annual Internal Audit Plan for 2014/15 (Appendix 1).

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, Mazars through the L.B of Croydon Framework Agreement.

Audit Resources 2013/14		Days	Days
Mazars	Core Audit	411	
	Computer Audit	100	
			511
In-house	4 auditors @ 195 days pp	780	
	Management	150	930
TOTAL			1,441
PLAN TOTAL			1,441

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 source of the auditable area and its link to the authority's corporate priorities. The proposed plan has been consulted with each Directorate.
- 3.6 In summary, for 2014/15, the Internal Audit Plan comprises of 1,441 days across all directorates. In line with the established protocols, all changes to the agreed 2014/15 plan will be reported to the Corporate Management Team and Audit Committee in December 2014.

	Original plan 2013/14	Revised Plan 2013/14	Audit Plan 2014/15
Corporate systems	60	75	50
Law, Probity and Governance	20	30	30
Education, Social Care and Welfare	290	336	290
Communities, Localities and Culture	105	135	155
Tower Hamlets Homes	135	135	130
Development & Renewal	105	120	150
Resources	300	280	286
Computer audit	90	100	100
Follow-up, management and reactive fraud provision	250	204	250
Total	1,355	1,415	1,441

4. Comments of the Chief Financial Officer

- 4.1 This report presents the proposed Annual Internal Audit Plan for 2014/15 and recommends that the Audit Committee endorse the Plan for 2014/15 as detailed in Appendix 1.

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

- 5.1. 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 Considerations

- 6.1 Each audit activity within the audit plan provides a link with the Council's corporate and strategic plan priorities including that of One Tower Hamlets.

7. Anti-Poverty Considerations

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