



Public Agenda Item: **Yes**

Title: **Internal Audit Plan 2012/13**

Wards
Affected: **All Wards**

To: **Audit Committee**

On: **28 March 2012**

Key Decision: **No**

Change to
Budget: **No**

Change to
Policy
Framework: **No**

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1. What we are trying to achieve

1.1 All local authorities and other relevant bodies subject to the Local Government Act 1972 Section 151 and the Accounts and Audit Regulations 2003 (as amended 2006 and 2011) must maintain an adequate and effective system of Internal Audit of its accounting records and of its system of Internal Control in accordance with the proper practices in relation to internal control.

1.2. Internal Audit provision is commissioned from Devon Audit Partnership. The Partnership is a shared service arrangement between Torbay, Plymouth and Devon County Councils and is constituted under Section 20 of the Local Government Act 2000. The Partnership provides audit services to the three Councils under Trading Agreements agreed with each of the clients and reports to the respective Audit Committees in line with previous arrangements. The commissioned service is expected to deliver improved efficiencies, productivity and performance, economies of scale and shared best practice.

1.3. The Head of the Devon Audit Partnership fulfils the role of Chief Internal Auditor for all three founding client councils. The Audit Plan forms the basis for the annual report to those charged with governance.

1.4. Audit Plans are prepared for each of the client authorities using a risk

based approach and priority assessment including consultation at both strategic and operational levels to ensure the service provided is aligned to customer needs, goals and objectives and satisfies the statutory assurance requirements. The Audit Days for each customer is based on available resources and previous service levels and the Partnership will operate robust performance management and reporting systems.

2. Recommendation(s) for decision

2.1 The Committee consider and agree in principle the proposed Audit Plan for 2012/2013.

3. Key points and reasons for recommendations

3.1 To satisfy the requirements of the Code of Practice for Internal Audit in Local Government in the United Kingdom and to enable full consideration of the Annual Governance Statement.

3.2 To inform Members of the arrangements and work plan for the Internal Audit Service for the financial year 2012/2013

3.3 To ensure key issues are communicated to and actioned by the Council to ensure risks are managed and the Internal Control Framework is sound.

3.4 To ask Members to endorse the outline Audit Plan for 2012/13 and advise of any areas of concern they feel would benefit from Audit input.

3.5 The Devon Audit partnership undertake audits in accordance with auditing standards contained within the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom, which is the accepted standard to which the partnership works and against which performance is evaluated. Audits are planned and performed so as to obtain all the information and explanations considered necessary to gain assurance as to the level of control within the Authority. Audit findings and recommendations are however based on restricted samples of transactions / records and discussions with relevant officers.

4. Risk assessment of preferred option

4.1. The report is predominantly for information and therefore there are no risks associated with the recommendations.

4.2. Although the plan has been matched to available resources within DAP, there remains a risk that a large fraud or irregularity, or significant levels of sickness or staff turnover could result in audit reviews slipping

thereby increasing the future risk to the Council. Such situations will be managed within the overall audit resources available to the partnership with audit resources being moved between client Councils to better manage this risk and to address the issue identified. Conversely the impact of such an event on the other client Councils could necessitate resources being moved away from Torbay but it is hoped that allowing a contingency will help to manage this.

- 4.3. It should be recognised that ultimately it is the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner. It does not matter how good the systems of internal control are, it is not possible to guarantee that a fraud will not occur, although it is hoped any irregularity would be quickly identified and resolved. However the work undertaken by Internal Audit should give both the service manager, and the Council, assurance that with the testing undertaken, no fraud was found and that all systems were operating effectively within the limitations reported at the time. Only by constant appliance of the Council's Standing Orders, Financial Regulations and operating instructions can this risk be fully minimised.

5. Other Options

- 5.1. The issues raised in this report are predominantly for information and as such there is no requirement to consider alternative options.
- 5.2. There is a statutory requirement for a continual internal audit of the Council's processes and internal controls. Whilst there are options surrounding the risk assessments, those being used are the accepted approaches for this style of risk assessment and may vary from those which are applied to the Council 's services generally but in certain cases there are no alternative options if the Council is to meet external requirements.
- 5.3. Internal Audit provides one element of the assurance required to enable the Mayor and Chief Executive to sign the Annual Governance Statement required under the Accounts and Audit Regulations 2003 and updated by the 2006 Regulations. Directorate Management provide another source of assurance and should provide evidence to support their view that Internal Controls and wider corporate governance are adequate. External reviews provide another source of assurance. A reduction in Internal Audit coverage will therefore necessitate increased reliance on these other forms of assurance.

6. Summary of resource implications

- 6.1 The Audit & Efficiency net Budget for 2012/13 in respect of Torbay Council's contribution to the Partnership has been set at £330,000, which is predominantly staff salaries. The audit plan is matched to available resources and delivered within the budget available.

7. Impact on equalities, environmental sustainability and crime and disorder

- 7.1 Members and employees, in their roles and responsibilities, are asked to be vigilant in preventing and detecting fraud, corruption and irregularity. In addition, Members and employees have a responsibility to lead by example in ensuring adherence to legal requirements, Standing Orders, Financial Regulations and all procedures and policies including both Members and Officers Codes of Conduct.
- 7.2. Internal Audit has due regard for section 17 of the Crime and Disorder Act 1998, ensuring that we consider crime and disorder reduction and community safety in the exercise of all of our duties and activities. Part of our role includes being one of the major contacts within the Council's Fraud & Corruption and Whistle-blowing Policies that detail how potential irregularities and frauds will be investigated and reported. Also, as part of the Audit Planning process, we discuss potential audit areas with all departments and undertake work on a cyclical basis in areas such as Community Safety Team, Youth Offending Team, Environmental protection/Street Wardens and Highways.

8. Consultation and Customer Focus

- 8.1 The draft plan has been subject to consultation with Commissioning Officer Management Teams and External Auditors.
- 8.2 Customers are a key area for the service. We have a range of internal and external customers who rely on our service to provide the assurance they require as part of their statutory function and to assist in maintaining the economy, efficiency and effectiveness of their service to their customers. This includes the Fraud & Corruption and Whistle-blowing policies that provide a framework for the investigation and management of Whistle-blowing referrals which will safeguard employees who make a protected disclosure and demonstrates clear standards and guidelines for maintaining probity, accountability and trust within Torbay Council.

9. Are there any implications for other Business Units?

- 9.1 Internal Audit covers all services of the Council and will therefore have linkages and implications for all business units and for Torbay schools.

Appendices

Appendix 1 Detailed Report Internal Audit Plan 2012/13

Martin Gould
Head of the Devon Audit Partnership