

# WIRRAL COUNCIL

## AUDIT AND RISK MANAGEMENT COMMITTEE

19 MARCH 2013

<b>SUBJECT:</b>	<b>INTERNAL AUDIT PLAN 2013-16</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>CHIEF INTERNAL AUDITOR</b>
<b>KEY DECISION ?</b>	<b>NO</b>

### 1.0 EXECUTIVE SUMMARY

1.1 This report identifies the following:

- The draft plan of work for Wirral Council's Internal Audit Service for 2013-16,
- An explanation of how the audit Plan was prepared,
- A list of proposed areas to be audited over the next three years for 2013-2016.
- An explanation of how the audit plan will be finalised.

### 2.0 RELEVANT BACKGROUND INFORMATION

2.1 The Audit and Risk Management Committee is required by its terms of reference to advise on the adequacy of the Council's strategic risk management, internal control and governance processes.

2.2 The Public Sector Internal Audit Standards produced jointly by the Chartered Institute for Public Finance and Accountancy and the Chartered Institute of Internal Auditors sets out the expected professional standards for Internal Audit in Local Government.

2.3 The standards set out the requirement for a risk based internal audit plan. This report sets out the Strategic Internal Audit Plan for the next three years and within this the Annual Internal Audit Plan for 2013/14.

2.4 In line with the standards the audit plan has been devised following a risk based approach using the following sources:

- The Corporate Risk Register
- Departmental Risk Registers
- Engagement with senior officers
- Review of the External Audit and Inspections reports
- A review of corporate strategies
- Cumulative audit knowledge and experience
- Engagement with other Heads of Audit
- Professional judgement on the risk of fraud and error

2.5 Using the above sources of information, the plan has been drafted to balance the following:

- The requirement to give an objective and evidence based opinion on all aspects of governance, risk management and internal control,
- The requirement for External Audit to place reliance on audits of the key financial systems for their annual opinion on the financial statements,
- Significant control and governance issues recently identified and currently being addressed by the organisation,
- The requirement to inform and support the production of the Annual Governance Statement for the Council,
- The corporate strategic vision for Internal Audit to add value through improving controls and streamlining processes,
- The allocation of time required for responding to queries on control issues,
- The allocation of time required for responding to fraud queries,
- The resource and skill mix available to undertake the work.

2.6 In addition, there are a number of major changes taking place across the organisation that will come into force during the period of this audit plan such as the reorganisation and transformation of the type of services that the Council provides and the way in which those services are delivered. These changes have been a significant consideration in the preparation of the audit plan and will continue to have a major ongoing impact on its delivery on account of the impact that these changes will have on the structure, culture, operational and control risk environment of the Council.

2.7 As a result of these ongoing changes the audit plan will continue to be constantly revisited during the year and any necessary adjustments made to reflect the changing environment. Chief Officers, senior managers and Members will all have a role to play in this and it is my intention to ensure that regular scheduled meetings take place to discuss these developments, any emerging risks identified as a result of this and any required changes to the plan resulting.

2.8 Contingency days have also been identified within the plan to address any emerging risks identified during the lifecycle of the audit plan.

A summary of the strategic audit plan is shown below:

<b>Audit</b>	<b>2013/14 Audit Days</b>	<b>2014/15 Audit Days</b>	<b>2015/16 Audit Days</b>
Total Core Financial Systems	250	250	250
Total Cross Cutting Compliance	510	435	410
Total Service Specific	510	435	410
Total Pension Fund	100	100	100
Total ICT	250	250	250
Total Counter Fraud	250	300	300
Total Advisory	150	200	250
Total Carry Forward	100	100	100
Total Contingency	150	200	200
<b>Total Audit Days</b>	<b>2270</b>	<b>2270</b>	<b>2270</b>

2.9 The main points / changes to note are:

- A move to a three year strategic internal audit plan – the rationale here is to ensure that Internal Audit takes a wider strategic view of risk and to ensure that audit effort is utilised as efficiently and effectively as possible to mitigate risk in a changing environment. This is particularly important for Wirral Council at present as a significant number of reported control and governance issues are in evidence and require the attention of senior management across the organisation. The audit plan is designed to inform that process providing relevant assurance opinions on systems either in place or developing and providing direction assessments regarding actions required to implement the necessary improvements required,
- The plan provides an overview of the assurance that will be obtained through each audit, the exact scopes of the audits will be agreed with Senior Management prior to commencement of the audit to ensure that the key current risks are being addressed,
- The Audit plan shows an increasing amount of advisory work during the three year period – this is due to a corporate drive to include Value for Money reviews within the audit plan to help identify cost savings and efficiencies,
- The Draft Audit plan will be finalised following further consultation with officers by the 31st March 2012. This will be tabled at the Audit Committee in June 2013,

- The audit plan will remain flexible, and will be reviewed on a quarterly basis to ensure it is in line with emerging risks.

### **3.0 RELEVANT RISKS**

If appropriate systems are not in place or are not effective there is a risk of potential failure of;

- 3.1 The Council not achieving its corporate objectives.
- 3.2 The potential failure of the Audit and Risk Management Committee to comply with best professional practice and thereby not function in an efficient and effective manner.
- 3.3 Meeting statutory requirements to provide adequate and effective systems of internal audit.

### **4.0 OTHER OPTIONS CONSIDERED**

- 4.1 No other options considered.

### **5.0 CONSULTATION**

- 5.1 Members of this Committee, Chief Officers and other stakeholders are consulted throughout the process of developing and delivering the Internal Audit Plan.

### **6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

- 6.1 There are none arising from this report.

### **7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

- 7.1 There are none arising from this report.

### **8.0 LEGAL IMPLICATIONS**

- 8.1 There are none arising from this report.

### **9.0 EQUALITIES IMPLICATIONS**

- 9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(a) No because there is no relevance to equality.

### **10.0 CARBON REDUCTION IMPLICATIONS**

- 10.1 There are none arising from this report.

### **11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

- 11.1 There are none arising from this report.

## **12.0 RECOMMENDATION**

12.1 That in accordance with the terms of reference for the Audit and Risk Management Committee, Members should comment in respect of the draft strategic internal plan for 2013-2016.

## **13.0 REASON FOR RECOMMENDATION**

13.1 To provide the Members with assurance that the Council is taking appropriate measures to comply with statutory requirements to provide an adequate and effective internal audit service.

13.2 To ensure that the Council complies with best practice guidance identified in the CIPFA publication 'A Toolkit for Local Authority Audit Committees'.

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## **APPENDICES**

Appendix 1: Strategic Internal Audit Plan 2013-16

## **REFERENCE MATERIAL**

CIPFA Code of Practice for Internal Audit in Local Government  
Chartered Institute of Internal Auditors Standards & Protocols for Internal Auditing  
Public Sector Internal Audit Standards

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Audit and Risk Management Committee	Annual report presented to March meetings of this Committee during last 3 years.