



GA.41 11/12

**Governance & Audit  
Committee**

12 March 2012

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**Subject: Draft Internal Audit Plan 2012/2013**

Report by:

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Purpose / Summary:

This report presents the planned internal audit work of the Council for the year 2012-13

**RECOMMENDATION(S):**

**1) Members approve the annual audit plan**

## IMPLICATIONS

**Legal:** None directly arising from the report

**Financial:** None directly arises from the report.

**Staffing:** None.

**Equality and Diversity including Human Rights:**

*NB: A full impact assessment **HAS TO BE** attached if the report relates to any new or revised policy or revision to service delivery/introduction of new services.*

None arising from this report

**Risk Assessment:** N/A

**Climate Related Risks and Opportunities:** None arising from this report

**Background Papers:** No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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**Call in and Urgency:**

**Is the decision one to which Rule 14 of the Scrutiny Procedure Rules apply?**

Yes

No

**Key Decision:**

Yes

No

## DISCUSSION

### Draft Internal Audit Plan – 2012/13

This plan sets out the proposed work of Internal Audit for 2012/13. The plan is based on our Internal Audit Strategy which has been agreed with the Financial Services Manager (the Councils Section 151 Officer) of which the key elements are provided below.

#### Our role

Our primary objective is an *assurance function* that provides an *independent and objective* opinion on the councils control environment - we focus our work on the Councils strategic risks, critical systems and key priorities.

Delivery of the Internal Audit work plan enables the Head of Audit to produce the annual audit opinion which objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

Our effectiveness is evaluated by:

- Senior Managers, including the Section 151 Officer of the Council
- The Governance and Audit Committee, and
- External Audit

#### How we chose what to look at (Audit Strategy)

Our Internal Audit strategy has been developed to demonstrate how assurance statements can be given on:

- The critical systems of the Council - Those key service activities whose failure could result in significant damage to the Council's reputation, material financial loss, significant impact on members of the public, significant impact on the successful delivery of Council priorities or failure to comply with service legal requirements.
- Due diligence activities – Key processes that support the running of the business and ensure compliance with corporate policies and legal requirements. How often Internal Audit review these activities depends on previous assurance opinions, when we last examined the activity and if there has been any significant changes to the system or senior management.
- Strategic Risks – Any risk recorded within the Strategic Risk Register or a risk considered by Senior Management that should be considered for inclusion.
- Emerging risks - Risks that are created by a new activity or business strategy, a change programme or changes to an existing activity and whose failure could result in significant damage to the

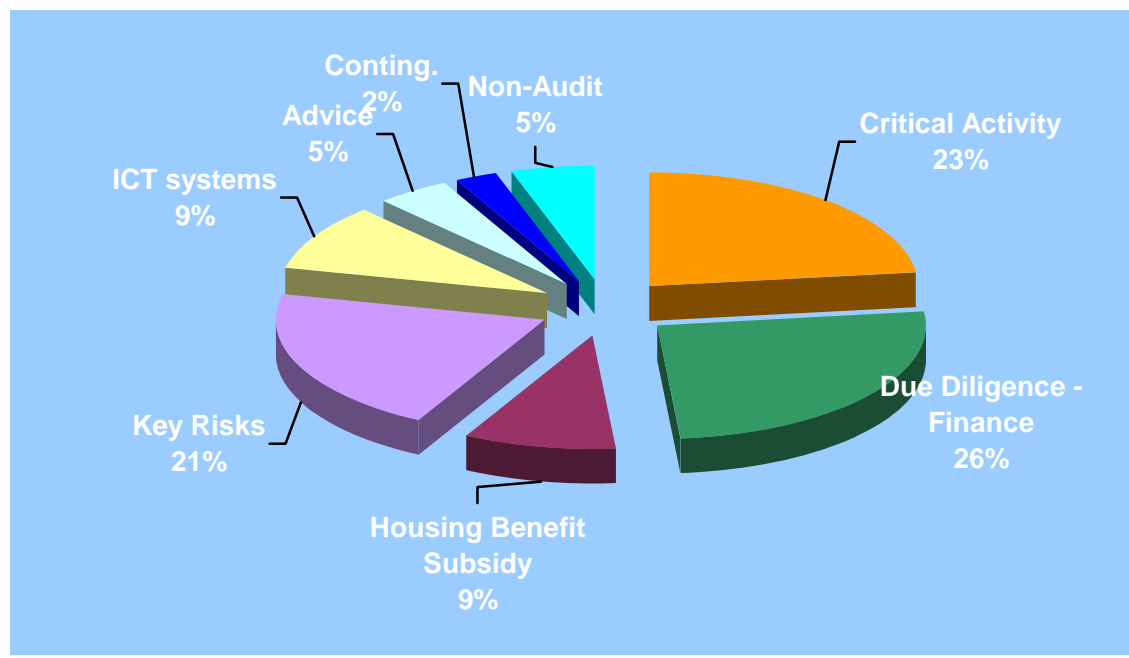
- Key transformation programmes and projects. Those supporting delivery of a corporate objective / priority.
- ICT Assurance. An ICT Audit plan focussed on the critical IT applications and activities that support delivery of the Councils' key functions. This is based on an impact assessment.

To help us focus our work plans we are developing a combined assurance model for the Council which will be a record of assurances against your critical activities and risks. It will give an overview of assurance provided across the whole Council – not just those from Internal Audit – making it possible to identify where assurances are present, their source, and where there are potential assurance 'gaps'.

### Internal Audit Plan 2012/13

The type of areas included in the plan for 2012/13 is shown in figure 1 with the detailed projects in Appendix A. A schedule of audits for the year will be developed with management.

**Figure 1: Analysis of Annual Plan 2012/13**



The plan includes 5 days for *contingency* to help us to respond to any issues highlighted by council during consultation and the year.

There is also 5 days in the plan to help co-ordinate the combined assurances available in the Council.

## Our Performance

Our performance is monitored by the Financial Services Manager (the Councils Section 151 Officer) and the Governance and Audit Committee. Our performance measures are set out below for information:

Performance Indicator	Target
Percentage of plan completed.	100% (revised plan)
Percentage of key financial systems completed.	100%
Percentage of recommendations agreed.	100%
Percentage of recommendations implemented.	100%
Timescales	<ul style="list-style-type: none"> <li>■ Draft report issued within 10 working days of completing audit.</li> <li>■ Final report issued within 5 working days of closure meeting / receipt of management responses.</li> <li>■ Period taken to complete audit – by exception</li> </ul>
Client Feedback on Audit (average)	Good to excellent

## Approval of plan

We are seeking approval of our draft Internal Audit plan – subject to any agreed changes.

### West Lindsey District Council – Draft Internal Audit Plan 2012/13

Area	Days	Indicative Scope	Start Date	End Date	Status
<b>Critical Service Activities</b>					
<b>Planning and Regeneration</b>					
Gainsborough Regained	15	Review of projects within Gainsborough Regained considering the integration of projects focusing on growth point, town centre regeneration and deprivation.  Include how Council co-ordinates / works with partners to deliver this initiative / investment			
<b>Resources</b>					
Financial Strategy	5	To ensure the Council has a sustainable medium to long term finance strategy to address future reduced government funding whilst continuing to meet the needs of the community and effective service delivery.			

Area	Days	Indicative Scope	Start Date	End Date	Status
Housing Benefits Subsidy & Systems Review	20	Review of the housing benefit systems in conjunction with testing to support the external audit of the subsidy claim.			
Progress and Delivery	10	To review how effective the corporate governance model for programmes, performance / delivery and financial monitoring is in delivering the Corporate Plan priorities.			
<b>Sub Total</b>	<b>50</b>				
<b>Due Diligence</b>					
<b>Resources</b>					
Finance Systems – provisional areas: <ul style="list-style-type: none"> <li>■ Creditors</li> <li>■ NNDR</li> <li>■ Debtors</li> <li>■ Payroll</li> <li>■ Income</li> </ul>	35	To review systems and test transactions for finance systems feeding into the Council's accounts in liaison with external audit.			
Finance Management	10	Identify how effective finance management systems are in allowing managers to manage and monitor their budgets, understand	January 2013	March 2013	



Area	Days	Indicative Scope	Start Date	End Date	Status
		their costs through their cost centre / business centres.			
<b>Sub Total</b>	<b>45</b>				
<b>Strategic Risks</b>					
Income generation	10	<p>Assess the changes in service demand and legislation on income, including:</p> <ul style="list-style-type: none"> <li>■ Car parking</li> <li>■ Rents</li> <li>■ Planning fees</li> </ul>			
Investment decisions	10	<p>Review of the process (due diligence) for major investments decisions , consider:</p> <ul style="list-style-type: none"> <li>■ Commercial Strategy</li> <li>■ Adequacy business cases</li> <li>■ Decisions Making process</li> <li>■ Future sustainability / impact of investment I</li> </ul>			

Area	Days	Indicative Scope	Start Date	End Date	Status
<b>Sub Total</b>	<b>20</b>				
<b>Emerging Risks</b>					
Change programme	10	Review of Organisational Development and how effective this has been to embed: <ul style="list-style-type: none"> <li>■ New ways of working</li> <li>■ Delivery of Corporate Objectives</li> </ul>	June 2012	Sept 2012	
Big Society & localism agenda	10	To Establish how the council is responding to the localism agenda (Big society), including any potential changes to governance arrangements.			
Emerging risk contingency	5	To audit any significant emerging risks arising in the year.			
<b>Sub Total</b>	<b>25</b>				
<b>Other relevant Areas</b>					
Assurance mapping	5	Update assurance map with service managers and gain management assurances and third party assurances.			
Annual Governance Statement	5	Follow up improvements / actions			

Area	Days	Indicative Scope	Start Date	End Date	Status
		taken by the Council to address the areas in the 2012 statement.			
<b>Sub Total</b>	<b>10</b>				
<b>ICT Audit.</b>					
	20	Our ICT audit strategy is being revised. This includes a risk assessment which will identify areas for audit focus.			
<b>Sub Total</b>	<b>20</b>				
<b>Non-Audit</b>					
Advice	5				
Liaison	5				
Annual Report	1				
Audit Committee	5				
Contingency	5				
<b>Sub Total</b>	<b>21</b>				
<b>Total Audit Plan for 2012/13</b>	<b>191</b>				