

Internal Audit Plan 2014/15

Report by Internal Audit Manager

1. Purpose of the Report

The purpose of this report is to:

- present the draft Internal Audit plan for 2014/15;
- explain how the plan was developed; and
- seek Audit Committee's input and approval of the plan.

2. Background

Risk Based Plan

The Public Sector Internal Audit Standards require the Internal Audit Manager to develop a risk based audit plan which sets out the priorities for the internal audit activity during the year. These priorities are consistent with the Council's goals.

In order to achieve this requirement, the 2014/15 plan has been developed in the following ways:

- linking the Council's priority themes to risk registers and the Internal Audit plan;
- reviewing the Council's risk management framework including operational, project and corporate risk registers which detail the key risks, their likelihood and potential impact as well as detailing controls and residual risk;
- reviewing the Council's quarterly Performance Reporting to the Performance Review and Scrutiny Committee;
- Internal Audit's own knowledge and experience through previous internal audits, consultancy work and investigations;
- discussions with all Heads of Service and the Section 95 Officer;
- reviews of work undertaken by other relevant inspection or regulatory bodies; and
- giving the Council's external auditors, Corporate Management Team and the Audit Committee opportunity to review and input to the plan.

The planned audits are therefore based on this annual risk assessment. However, plan is fluid and can be adapted to accommodate any escalation of risks coming to light through the risk management process.

Key areas and Internal Audit Manager's opinion on governance, risk management and controls

The Internal Audit Manager is required to deliver an annual internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. In order to allow the Internal Audit Manager to form an opinion, the audit plan needs to be sufficiently broad to cover key areas over a regular cycle and for this reason a number of core processes and systems are reviewed on a regular basis.

Consultancy and Help Desk

Some audit resource is set aside for consultancy engagements based on the engagement's potential to improve management of risk, add value and improve Council operations.

Time is also made available to assist with requests for Internal Audit assistance through the operation of a help desk facility. This is used to support Council Services who are looking for advice or support on risk or control related issues.

Investigations

The 2014/15 plan provides for resource for investigations. Any requests for assistance will be assessed following the protocol agreed by the Audit Committee in September 2013.

Internal Audit Resource

The Internal Audit Section has a current FTE of 3.7. This equates to a total of approximately 785 days to undertake audit reviews after deductions for management, professional development, holidays etc.

Estimating the number of days to complete each type of audit means that a total of approximately 26 reviews can be delivered in any one year with the current resource.

3. Proposed Internal Audit Plan

Please see attached Appendix 1.

Conclusion

The above Internal Audit Plan is aimed at allowing audit resource to be allocated to high risk areas in the Council but also allows the Audit Manager to conclude on the governance, risk management and controls more generally.

The Plan, once approved, will be discussed with East Lothian Council's Internal Audit team to establish any joint audit opportunities.

4. Report Implications

4.1 Resource

There are no direct resource implications in this report.

4.2 Risk

Each Internal Audit assignment is risk-based and tests the service's management of risk.

4.3 Single Midlothian Plan

Themes addressed in this report:

- Community safety
- Adult health, care and housing
- Getting it right for every Midlothian child
- Improving opportunities in Midlothian
- Sustainable growth
- Business transformation and Best Value
- None of the above

4.4 Key Priorities within the Single Midlothian Plan

Midlothian Council and its Community Planning Partners have made a commitment to treat the following areas as key priorities under the Single Midlothian Plan:

- Early years and reducing child poverty;
- Economic Growth and Business Support; and
- Positive destinations for young people.

The Internal plan includes reviews within the areas of early years and reducing child poverty and positive destinations for young people.

4.5 Impact on Performance and Outcomes

The Internal Audit plan assists the Council in improving its performance and outcomes.

4.6 Adopting a Preventative Approach

Specific audits within the 2014/15 plan will include assessments on when a preventative approach can be adopted.

4.7 Involving Communities and Other Stakeholders

The Internal Audit Plan has been discussed with Heads of Service, the Section 95 Officer, CMT, the Audit Committee, Grant Thornton and will be discussed with East Lothian's Internal Audit Section.

4.8 Ensuring Equalities

There are no equalities issues with regard to this report.

4.9 Supporting Sustainable Development

There are no sustainability issues with regard to this report.

4.10 IT Issues

There are no IT issues with regard to this report.

5. Recommendations

The Audit Committee is invited to:

- a) Review and approve the Internal Audit plan for 2014/15
- b) Note that reports on progress with the plan will be submitted to the Audit Committee on a regular basis.

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