

**Internal Audit Plan 2013/14**

**Report by Gerald Tait, Risk and Audit Manager**

**1. Purpose of the Report**

This report invites endorsement from the Audit Committee for the Internal Audit Plan which will commence on 1 April 2013..

**2. Background**

The plan follows the Internal Audit Strategy for 2012/13 to 2014/15 and to allocate resources to four main aspects of Midlothian Council, namely: Main Financial and IT Systems, Corporate Risks, Consultancy and Help-Desk Advice and Investigations. This achieves the resource allocation balance and a risk assessment ('Audit Universe') has supported this allocation.

Generally, topics are reviewed on a three-year cycle. Flexibility is built into the plan.

The audits approved recently by the Corporate Management Team for 2013/14 are as follows:-

<b>Area</b>	<b>Audit</b>	<b>Audit Scope</b>
Main Financial & IT Systems	HR Transactional	Proposing to review the controls in place to manage changes to the staffing establishment and control of payments to employees and to third parties like HMRC and Lothian Pension Fund.
	Commitments of Expenditure	Works ordering and payments control within the Total Repairs computer system operated by Property Maintenance
	Grants In/Out	Examination of a sample of significant grants received, control, spending and reporting to funders. Also a review of Council compliance with the Audit Scotland national report on 'Following the Public Pound'
	House Rents	Changes to, and control of, the Housing Accounts debit i.e. Customer Accounts
	Risk Management	Review of compliance with Policy, success of the Risk Control Programme and achievement of acceptable risk appetite
	IT Project Management	Progress with a selected computer project and an examination of the typical project management approach applied to computer projects
	Follow Up – High Priority Recommendations previously made	Review of the success of installing high priority audit recommendations previously made. Part of this will be the Audit Committee recommendation, that high priority recommendations should be cleared by Internal Audit before managers say they are complete in covalent.
	Annual Governance Statement (AGS)	Examination of Assurance System, a review of key governance matters, and its link to production of the AGS

Area	Audit	Audit Scope
Corporate Risks	Employees	Examination of key parts of the People Strategy
	Corporate & Business Transition	Review of improvements made through Business Process Improvements and Systems Thinking (compliance). During other audits listed in the plan, test processes for inefficiencies. Furthermore, be on hand to conduct any audits arising from governance meetings with the Chief Executive.
	Balancing Budgets and Financial Future	A review of matters agreed with the Chief Executive and Head of Finance and Human Resources
	Legal & Regulatory Compliance <sup>1</sup>	Examination of compliance with an existing legislative requirement or a new one emerging
	Procurement	A review of procurement in schools (linking with ELC Audit) and other areas where compliance is important
	Welfare Reform	A review of progress with the implementation in the Council with the Welfare Reform Act
Consultancy	4 Audits <sup>2</sup>	The choice of topics is likely to be discussed within CMT. However, one request is already received, to conduct a quarterly sample review of Performance Indicators.
	Help Desk Advice	On average, between 20-30 requests for internal control advice are received each year
Investigations	4 Audits	4 audits are budgeted but the topics are as yet unknown

### Conclusion

The above Internal Audit Plan ensures that audit resource is allocated to potentially high risk matters in the Council and as a result high levels of assurance should be possible. Other high risk matters will be audited in a cycle in 2014/15.

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

## **3. Report Implications**

### **3.1 Resource**

There are no direct resource implications in this report.

### **3.2 Risk**

Each Internal Audit assignment is risk-based and tests the management of risk, therefore supporting the Council's Risk Management Policy.

<sup>1</sup> The Audit Committee should note that during all the other audit assignments, tests will be carried out to ensure that the Council is not breaching laws and regulations.

<sup>2</sup> The Corporate Improvement Team has invited Internal Audit, during each audit assignment, to test for compliance with Best Value, Equalities, Sustainability and Effective Business Processes.

The direct audit of Risk Management should bring assurance to management and the Audit Committee on the overall success of this best value requirement.

### **3.3 Policy**

**Strategy** – this report addresses directly the council's policy to have a robust internal control environment, management of risk and effective governance.

**Consultation** – Discussions have taken place within the Internal Audit Team and with the Corporate Management Team.

**Equalities** – There are no equalities issues arising from this report.

**Sustainability** – Having a robust Internal Audit Plan assists the sustainability of the Council, its achievement of corporate aims, services, projects and compliance.

## **4. Recommendations**

The Audit Committee is invited to:-

- (1) Endorse the Internal Audit Plan for 2013/14; and
- (2) Note that reports on its progress will be submitted to the Audit Committee in due course, and on a regular basis.

**28<sup>th</sup> February 2013**

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