

**REPORT TO THE GOVERNANCE & AUDIT COMMITTEE MEETING  
OF 16<sup>th</sup> FEBRUARY 2012**

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**Status:** For consideration / agreement  
**Title:** Internal Audit – Annual Internal Audit Plan for 2011/13  
**Originator:** Rosanne Fleming – Interim Audit Manager, Welland Internal Audit Consortium

Objective:

To allow those Members discharging the role of the Audit Committee to receive the Annual Audit Plan for 2012/13.

Appendix A – Annual Audit Plan 2012/13

1. Outcome sought from Committee

1.1 That Members review and receive the Audit Plan for 2012/13.

2. Background

2.1 The Consortium is required to operate – as far as is practicable - in line with the standards and guidance issued by CIPFA and endorsed by the Audit Commission: to do otherwise carries the risk that external audit will reduce the reliance placed on the Consortium's assurance work. CIPFA guidance now requires internal auditors to move as rapidly as possible to a fully risk-based audit planning process because such an approach provides assurance about the client's most significant areas of risk.

2.2 The Consortium has applied a risk-based planning model "The Stanford University Model". The model has been used to identify a risk score for every identified audit entity and a risk-based approach would involve the application of the available audit budget days to audit those entities with the highest risk ratings.

2.3 Audit entities have been categorised as

Fundamental Financial Systems  
Financial Systems  
Governance and Performance  
Customer Facing Services  
Corporate ICT

The Fundamental Financial Systems are reviewed annually to allow External Audit to place reliance on the work of Internal Audit.

3 Points for discussion

- 3.1 Appendix A identifies the risk score for each entity and they have been sorted in descending order of risk score within each of the defined categories.

It is proposed that in 2012/13 the Consortium will undertake to deliver audits of all identified Fundamental Financial Systems together with those in the categories identified in Section 2.3 above with the highest risk scores.

- 3.2 The current resources for audit days provides for 235 days of work to be completed. It is considered that the list of audits at Appendix A can be fully delivered within those resources unless significant issues are identified during the audit. If extended testing is required to provide the appropriate level of assurance, then the Plan will be reviewed and adjusted during the year based on the risk scores. Any emerging risks during the year will also be scored and may result in adjustments to the Plan.
- 3.3 Within these 235 days, an allowance is included for chargeable time that does not relate to audit work (5 days), but is necessary for the delivery of a complete Internal Audit Service. This comprises time for attending Committee meetings and preparing any reports, plus attending necessary on site meetings with the S151 Officer. 230 days of audit work is considered the minimum required to provide the annual internal audit opinion. Any additional work required will be a matter for separate negotiation between the S151 Officer and the Head of Consortium.
- 3.4 In calculating risk scores, the Stanford Model takes account of factors such as the time since last audit and the assurance ratings arising from the most recent audit. This means that the risk scores of entities not audited in 2012/13 will increase in the 2013/14 planning process relative to those entities that have been audited making it more likely that they will be audited in future years.

## 5 Equality Impact Assessment Implications/Outcomes

- 5.1 Not applicable in this context

## 6 Meeting the objective

- 6.1 It is recommended that the Committee receives and endorses the Risk Based Internal Audit Plan for 2012/13.

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**Previous report(s):**

**Information Issued Under Sensitive Issue Procedure: Y/N**