
Meeting: Audit Committee
Date: 7 January 2013
Subject: Approach to the Development of 2013-2016 Strategic Audit Plan

Report of: Chief Finance Officer

Summary: The purpose of this report is to outline the proposed approach to the development of the 2013-2016 Strategic Audit Plan and to seek the Audit Committee's endorsement to this approach.

Contact Officer: Kathy Riches, Head of Internal Audit and Risk

Public/Exempt: Public

Wards Affected: All

Function of: Audit Committee

CORPORATE IMPLICATIONS

Council Priorities:

The activities of Internal Audit are crucial to the governance arrangements of the organisation and as such are supporting all of the priorities of the Council.

Financial:

1. None directly from this report.

Legal:

2. None directly from this report.

Risk Management:

3. The outcome of developing and implementing the 2013/14 Annual Audit plan and the Strategic Plan is for the Council to better manage its risk, thereby mitigating the impact from adverse events.

Staffing (including Trades Unions):

4. None directly from this report.

Equalities/Human Rights:

5. None directly from this report.

Public Health

6. None directly from this report.

Community Safety:

7. None directly from this report.

Sustainability:

8. None directly from this report.

Procurement:

9. None directly from this report.

RECOMMENDATION:

The Committee is asked to endorse the approach for the development of the 2013-16 Strategic Audit Plan.

Background

10. During 2009/10, an Internal Audit Strategy and Three Year Plan were developed for Central Bedfordshire Council, covering the period up to March 2013. These were presented to the Audit Committee in September 2009.
11. Prior to the start of each year, the strategy and audit plan have been revised to reflect changing risks and priorities since the plan was first produced. These revisions have been presented to the Audit Committee for approval.
12. 2012-13 represents the final year of the three year plan, and it is therefore timely to consider the approach to be taken in the development of a strategic audit plan to cover the period April 2013 – March 2016.

PROPOSED APPROACH

13. The Head of Internal Audit is required to produce an Annual Internal Audit Opinion and report which can be used by the Council to help inform the Annual Governance Statement. This opinion is currently informed by internal audit work undertaken. The Council is also going through a period of significant change, and the reduction in expenditure in service areas does not necessarily mean a commensurate reduction in risk. In some cases, the risks may increase. However, there is a need to target the available audit resources effectively to provide assurance across the organisation that all key risks are being managed.

14. In developing the Strategic Audit Plan it is therefore proposed to undertake some “assurance mapping”. This may be defined as a means of reviewing each key risk and mapping audit coverage against any other available sources of assurance such as independent external reviews. Where other sources of assurance exist, it may be possible to rely upon these and to reduce or eliminate further internal audit work. The aim is to ensure there is a comprehensive risk and assurance process, with no duplicated effort or potential gaps. Appendix A sets out a definition of assurance and a more detailed list of possible sources of assurance.
15. To achieve this, it is proposed to develop and document an assurance model, which will be a record of assurances against critical activities and risks. It is intended to initially focus on the Council’s strategic risks and any key directorate/Medium Term Plan risks.
16. The benefits of this approach will be to:
 - give the Council the opportunity to determine if adequate and reliable assurance is planned and being delivered for key risk areas
 - be a key source of information to help develop and inform the Annual Governance Statement
 - streamline and avoid duplication of effort where assurance can be drawn from a third party or other source.
 - help develop the Internal Audit Plan by identifying where more independent assurance is required
 - support the work of the Audit Committee
 - enable the Head of Internal Audit to produce an informed Annual Audit Opinion.
17. The documented assurance map should provide a transparent overview of the assurance framework supporting the Council’s key strategic risks and will be maintained and refreshed as part of the strategic risk review process.
18. In order to develop the plan it will be necessary to engage with staff across Directorates, including Directors and Risk Co-ordinators with the objective of:
 - Considering strategic risks and key directorate risks and identifying current sources of assurance
 - Considering assurance gaps and whether Internal Audit can provide the required assurance
 - Identifying whether there are any other key service areas that require audit assurance
 - Considering key programmes and projects
 - Considering fraud risks and where pro active fraud work could be targeted
 - Other emerging risksMeetings to secure these objectives are currently in progress.
19. The proposed methodology has been discussed with the External Audit Manager who is supportive of the approach. It also has the support of the Council’s senior management.
20. An illustrative example of how an Assurance Map may be presented is set out at Appendix B.

Conclusion and Next Steps

21. A draft strategic plan will be produced for initial consideration by senior managers. It is proposed to present the finalised plan to the Audit Committee in April 2013.
22. Whilst a detailed audit plan will be developed for 2013/14, the specific audit work to be carried out for future years of the strategic plan will be agreed when the audit reviews are scoped. The strategic plan will also be reviewed and revised periodically to reflect any changes to the Council's risks and priorities.

Appendices:

Appendix A – Definition of assurance and examples of possible sources of assurance.

Appendix B – Illustrative example of Assurance Map

Background Papers: None

Location of papers: N/A