

## Report for Information

**Report to** Audit committee  
20 March 2012

11

**Report of** Audit manager

**Subject** Internal audit plan for Norwich City Council 2012-13

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### Purpose

For members to review the preparation of the internal audit plan for 2012-13 and to endorse the plan itself.

### Recommendation

That members endorse the internal audit plan for 2012-13.

### Financial Consequences

The financial consequences of this report are none directly.

### Risk Management

The audit plan is informed by the council's corporate and departmental risk registers, together with other assurance processes.

### Strategic Objective/Service Priorities

- The report helps to achieve the council priority to provide value for money services

### Contact Officers

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### Background Documents

# Report

## Background

1. The terms of reference for the audit committee include “Reviewing and considering the proposed ... internal audit coverage and whether this provides adequate assurance on the organisation’s main business risks...”
2. Internal audit provides an independent assurance function which reviews and reports on the adequacy and effectiveness of the council’s risk management, governance and internal control processes.
3. The CIPFA Code of Practice for Internal Audit requires the audit manager to ‘prepare a risk-based audit plan designed to implement the audit strategy.’ In preparing the plan, he or she should ‘take account of the adequacy and outcomes of the organisation’s risk management, performance management and other assurance processes.’ Further details of the factors informing the plan can be found in paragraphs 14 to 20.
4. The CIPFA code also states that:
  - The audit manager should ‘consult stakeholders on the draft plan and revise the plan if appropriate’
  - ‘The audit plan should be fixed for a period of no longer than one year’
  - ‘The plan should outline the assignments to be carried out, their respective priorities and the estimated resources needed’
  - ‘The plan should differentiate between assurance and other work’
  - ‘The plan needs to be flexible to be able to reflect the changing risks and priorities of the organisation’
5. From 2012-13 the internal audit function will be delivered by Local Government Shared Services (LGSS). Steve Tinkler, head of internal audit and risk management at LGSS, has been involved in the process of drafting the attached audit plan.
6. LGSS will ensure that the audit plan is delivered in accordance with the requirements of the council under the service level agreement, and to the standard expected by the external auditor under the ‘managed audit’ regime (it has recently been announced that the Audit Commission has awarded the contract for external audit in the eastern region to Ernst & Young LLP).
7. As part of the planning process the audit manager normally reviews the departmental and corporate risk registers to ensure that the proposed plan takes account of ‘auditable’ areas of high risk.
8. Because a number of risk registers were not available, the audit manager was only able to meet with one director to discuss risks informing the plan.

9. However, Steve Tinkler attended corporate leadership team on 7 March and as a result of feedback three areas for review have been included in the plan.
10. In view of the fact that some departmental risk registers are not available, and corporate risks are due for a fundamental review, a contingency is included in the plan to allow for new reviews to be resourced as they arise.
11. The internal audit plan is shown at **annex 1**.
12. The plan will be kept under review in conjunction with the council's assurance processes. Any changes to the plan during the year as a result of changing risks or priorities will be reported to members.
13. Under the SLA with LGSS, 635 productive audit days are available to resource the plan. This is based on a performance indicator of 85% of total available days being productive. A detailed analysis of how the figure of 635 days is arrived at is shown at **annex 2**.

### **Factors informing the plan**

14. In accordance with International Standards on Auditing (ISA 315) the Audit Commission requires internal audit to review annually the main information systems that inform the entries in the financial statements.
15. Other reasons for inclusion are noted on the attached plan.
16. As mentioned above, emerging risks during the year may also require inclusion in the plan.
17. A contingency allowance has been built into the plan to allow for internal audit's involvement in any ad-hoc or disciplinary investigations.
18. Time has been allowed to complete unfinished audit reviews and follow-ups of completed audits to ensure that satisfactory progress has been made.
19. There are some areas of a mainly corporate and consultancy nature which on the whole do not change much from year to year. These do not form part of internal audit's assurance work, and are shown at the end of the plan under the heading of *Non-assurance and consultancy work*.
20. Going forward, as the council becomes more risk mature and more reliance can be placed on the council's risk management processes, most of the audit plan will be informed by departmental and corporate risk registers.

### **Conclusion**

21. The audit planning process and audit plan for 2012-13 should provide members with assurance on the main business risks to the council, and supports the council's annual governance statement. Any amendments to the plan, including resourcing implications, will be reported to members.

Internal Audit Plan for Norwich City Council 2012-13		
	<b>2012-13</b>	
<b>Audit Assurance Work</b>	<b>Estimated</b>	
	<b>Days</b>	<b>Reason for inclusion in plan</b>
<b>Fundamental systems</b>		
Accounts payable (creditors)	20	In accordance with the International
Accounts receivable (debtors)	15	Standards on Auditing (ISA 315),
NCC payroll	15	the external auditor seeks to
Housing rents/arrears	20	place reliance on the work of internal
Treasury & cashflow management	10	audit in evaluating and testing the
Housing & council tax benefits	25	main systems that drive the balances
Council tax/NNDR	20	and disclosures in the financial statements.
Asset management	10	
<b>Sub-total</b>	<b>135</b>	
<b>Corporate resources</b>		
New Deal finalisation	40	Allowance for completion of audit involvement by end June 2012
Accountancy services	20	Cyclical
Proactive anti-fraud measures	10	Requested by CLT - policies, promotion, training, etc.
Information management	10	Requested by CLT - data protection and freedom of information
Grant certification & contributions	25	Audit involvement recommended by Audit Commission. Includes s106/CIL
Civic/members expenses	5	Cyclical
Register of electors	5	Cyclical
Business support team	10	Audit view of risk based on recent changes to functions
Customer contact team	10	Audit view of risk based on recent/planned changes to functions
<b>Sub-total</b>	<b>135</b>	
<b>Regeneration &amp; development</b>		
Business continuity management	15	From corporate risk register
Planning administration	10	Cyclical
Homelessness	15	Cyclical
Housing voids	15	Cyclical
Off-street parking	20	Cyclical
<b>Sub-total</b>	<b>75</b>	

<b>Strategy &amp; programme management</b>		
Transformation/change programme	25	Requested by CLT - governance/risk management re major savings over next 5 years
Performance management	10	Brought forward from previous plan
<b>Sub-total</b>	<b>35</b>	
<b>Communications and culture</b>		
Sports facilities	10	Cyclical
<b>Sub-total</b>	<b>10</b>	
<b>Corporate reviews</b>		
Ad-hoc investigations	20	Contingency
ICT audits:		
Academy (housing)	15	Core system indentified in the Norwich Connect contract
Oracle (financial)	15	Core system indentified in the Norwich Connect contract
Disaster recovery	15	ICT disaster recovery, backups, links to BCM
Contingency	75	Contingency to allow for audits yet to be identified from corporate/service risks
To complete 2011-12 plan	25	By end of April 2012
Follow-ups	10	Follow ups required by Code of Practice
<b>Sub-total</b>	<b>175</b>	
<b>Total for audit assurance work</b>	<b>565</b>	
<b>Consultancy &amp; non-assurance work</b>		
Corporate governance	15	Co-ordination & preparation of annual governance statement; input to code of governance
Fraud plan, incl. NFI work	30	Fraud risks & key contact duties for NFI 2011 (matches) and 2012 (data upload)
Advice, unplanned work requests	25	Contingency, to include involvement with tenders/contracts
<b>Total for non-assurance/consultancy work</b>	<b>70</b>	
<b>Total Allocated Days</b>	<b>635</b>	See resource plan at annex 2

**INTERNAL AUDIT - NORWICH CITY COUNCIL****ANALYSIS OF TIME (EMPLOYEE RESOURCE DAYS) - PLANNED FOR 2012-13**

	AUDIT MANAGER	SENIOR AUDITOR / CONSULTANT	SENIOR AUDITOR / CONSULTANT	SENIOR AUDITOR / CONSULTANT	PLANNED  TOTAL
	PLAN	PLAN	PLAN	PLAN	
<b>1. AVAILABLE WORKING DAYS</b>					
Total Days (52 x 5 = 260 for full-time)	260	260	208	192	920
Less: Bank Holidays	11	11	9	10	41
Annual Leave	32	31	26	23	112
Sick, Special Leave, etc.	5	5	5	5	20
<b>Available Days</b>	<b>212</b>	<b>213</b>	<b>168</b>	<b>154</b>	<b>747</b>
<b>Less:</b>					
<b>2 NON-CHARGEABLE TIME</b>					
2.1 ADMINISTRATION / MGT					
Administration - General	5	5	5	5	20
Contingency for LGSS/accommodation	4	2	2	2	10
Section Meetings	3	3	3	3	12
Section Management	25				25
Departmental Management	5				5
Risk Management	15				15
SUB - TOTAL	57	10	10	10	87
2.2 TRAINING ETC					
Training - Courses	5	5	5	5	20
SUB - TOTAL	5	5	5	5	20
2.3 OTHER GENERAL OVERHEAD					
IT Support / Time Recording	2	1	1	1	5
SUB - TOTAL	2	1	1	1	5
<b>Total Non Chargeable Days</b>	<b>64</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>112</b>
<b>Total Chargeable Days</b>	<b>148</b>	<b>197</b>	<b>152</b>	<b>138</b>	<b>635</b>
<b>% NON-CHARGEABLE (DAYS)</b>	<b>30%</b>	<b>8%</b>	<b>10%</b>	<b>10%</b>	<b>15%</b>
<b>% CHARGEABLE (DAYS)</b>	<b>70%</b>	<b>92%</b>	<b>90%</b>	<b>90%</b>	<b>85%</b>