

Appendix 2

Background to the preparation of the 2012/13 Annual Audit Plan

- 1 The 2012/13 annual audit plan was developed in consultation with each service grouping's senior management team and was endorsed by CMT and the Audit Committee on the 6th June 2012 and the 28th June 2012 respectively.
- 2 The planned assurance work included in the plan reflects the agreed audit strategy to review each key service activity and each key system over a five year rolling programme. In applying a risk based approach we aim to support managers embed operational/inherent risk management through the development of Control Risk Assessments (CRAs).
- 3 Through the development of CRAs in consultation with nominated key contacts, as part of the planning and preparation stage of each planned assurance review, we will add value by helping service managers to:
 - Identify and assess risks
 - Document service objectives, risks and existing controls
 - Assess the adequacy of the existing control framework (control design) and identify additional controls to improve operational risk management and /or highlight controls that are unnecessary
 - Identify and assess the reliability of assurance provided from other sources to avoid any unnecessary duplication and highlight any assurance gaps
- 4 Through independent testing of expected controls we add value by providing reliable and objective assurance that controls established by managers are operating in practice and that they are effective in reducing the likelihood and / or impact of agreed risks occurring.
- 5 Through the identification and assessment of operational risks we are also able to add value to the strategic risk management process. This is done by providing assurance that controls identified to manage strategic risks are both adequate and effective. Potential new or emerging strategic risks may also be identified.
- 6 Applying a risk based audit approach ensures that audit resources are focused on the right things. The planning and preparation stage of each audit review with the right key contact(s) is essential. It is not until this planning and preparation stage is complete that we can determine the scope and timing of each audit.
- 7 Following initial planning and preparation discussions, draft terms of reference specifying the proposed scope of each audit will be issued for the agreement of the key contact. The planned start date (fieldwork) and planned

completion date (issue of draft report) will also be shown. It should be noted that wherever possible any timing preferences expressed by service managers at the audit planning and preparation stage will be considered when determining planned start dates but these cannot be guaranteed.

- 8 Confirmation of actual start dates and expected completion dates will be given to key contacts prior to fieldwork commencing. It should be noted that these timescales are subject to the following assumptions:
 - All relevant documentation, including source data, reports and procedures will be made available promptly on request
 - Staff and management will make reasonable time available for interviews and will promptly follow-up questions or requests for documentation and
 - Assistance will be available in scheduling meetings and interviews where required
- 9 Should audit staff not be able to commence the fieldwork as planned, the key contact will be advised accordingly. Wherever possible advance notice will be given but there may be circumstances when this cannot be done e.g unplanned leave of absence. Likewise, we request that should a key contact become aware of something that may prevent the fieldwork starting as planned that they immediately let us know so that if necessary audit resources can be reallocated.
- 10 Should any problems be encountered in progressing an audit these will be reported to the relevant head of service and /or the Corporate Director, and if necessary the Audit Committee.
- 11 In accordance with our Internal Audit Charter, we will give an assurance opinion on the effectiveness of internal controls each time we complete an assurance review.
- 12 The % of planned assurance reviews completed from the annual audit plan is one of the corporate basket of indicators which is monitored through the Council's quarterly performance reporting framework and is challenged by the Audit Committee. Failure to deliver the agreed plan may prevent an annual audit opinion being given and the Council failing to meet its statutory requirements. It will also delay the embedding of operational risk management exposing the Council to potential greater risk.
- 13 It is managers' responsibility to ensure that effective controls operate within their service areas. To provide independent assurance that adequate progress is made in the implementation of agreed recommendations at the appropriate service operational level, all high and medium recommendations contained within actions plans within individual audit reports are followed up by internal audit. The method of audit follow up will vary according to the priority of the recommendation. In addition, listings of all recommendations outstanding at the end of each month are produced and issued to nominated representatives to assist your own internal monitoring processes.
- 14 Audit recommendations are allocated a priority ranking reflecting the significance of the audit findings to which they relate.