



<u>Committee and Date</u>	<u>Item</u>
Audit Committee	4
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DRAFT INTERNAL AUDIT PLAN 2010/11

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Summary

A detailed audit plan for 2010/11 amounting to 2,909 days has been identified. This provides coverage across all the Council's directorates and delivers internal audit services for a range of external clients. It takes account of issues identified by managers, changes to and introduction of new systems and the outcome of the corporate and operational risk frameworks. Some minor adjustments may be needed to the plan before it is finalised: if required these will be agreed by the Section 151 Officer and reported to the next Audit Committee.

Recommendations

Members are asked to note

1. The provision of a risk based Internal Audit Plan is an essential part of ensuring probity and soundness of the Council's financial systems. To this end a four year Strategic Plan covering the period April 2009 to 31 March 2013 was developed through a comprehensive risk based audit needs assessment. The audit work for the current year, 2009/10, sees the completion of the first year of the current Strategic Plan.
2. The Strategic Plan is the framework within which the annual plans are compiled prior to the start of each year. The needs assessment is reviewed with the Directorate Managers and the Director of Resources to ensure that it is still robust and relevant to meet the needs and risk profile of the Council. This is particularly important in this, the second year of the Unitary Council. This planning process recognises that the Council is continuing to strive to improve services and use innovative approaches in addressing service delivery, audit resources are therefore targeted as a result across Council services to provide assurances in the operation of internal control systems as the transformation stage progresses.

3. In reviewing and preparing the plan for 2010/11 account has been taken of:
 - Changes to and the introduction of new services.
 - Previous audit findings.
 - Opening and closure of establishments.
 - Comments from the Audit Commission on scope and coverage to ensure the work of Internal Audit does not duplicate that of the external auditors.
 - Audit Committee Terms of Reference.
 - Increased partnership working or transfer of services to other organisations.
 - Risks identified by the risk management process.
 - Large contracts to be undertaken, such as waste, highways and building schools for the future work.
 - The ongoing impact following the Council's achievement of Unitary status.
4. **Appendix A** provides a summarised audit plan for 2010/11 and identifies a planned day requirement of 2,909 days.
5. The reduction of potential audit days available since those reported to the Committee in September 2009 as part of the Strategic Audit Plan Day Requirements 2009/10 to 2012/13, is accounted for by the vacant Audit Manager post and the vacant auditor post that was deleted to provide savings in the 2010/11 budget. Currently there is a vacancy for an audit manager post and when considering the financial pressures on the Council at this time; the plan has been drafted without this post in place. The structure of the team is currently under review to ensure that it can deliver optimum audits at the desired quality with a reduced number of days.
6. In preparing the plan for 2010/11 account has been taken of those audits completed in 2009/10. The key items to note this year are:
 - Based on knowledge from 2009/10 and previous years, the special investigations contingency has been included at 202 days. 22 of these days provide specific resources for IT fraud. With the increasing use and importance of technology in supporting our services, comes an increasing potential for fraud therefore resources have been identified to address such risks.
 - Days have been included in the plan to cover the fundamental systems audit work on which reliance will be placed by the Audit Commission as part of their audit of the Council's final accounts. With the creation of the unitary authority, a number of these fundamental systems are in their infancy in terms of adopting and bedding in common systems and working practices', as a result the Audit Commission have identified additional key controls and further testing to reflect this risk.

- The unplanned work is 110 days. Fifty days to provide the ability of the service to service to react and contribute to transformational developments plus a potential opportunity (60 days) for the Audit Service to deliver audit services to another external client. The decision for this will not be known until late March, early April and if this opportunity fails to materialise, priority audits from the strategic plan will be substituted.
 - Risks identified in the Council's risk register, at both corporate and operational level have been considered in finalising the plan. For example, specific IT audits account for 178 days, these are targeted at ensuring that appropriate system controls are in place where technology is used and that processes and officers comply with legislative requirements. Work will be jointly completed by the IT Auditor and the support of two general auditors. This work will underpin the strategic risks of, 'failure to manage data and information safely' and 'the possibility of sustained IT service facilities'.
 - 50 days have been planned for the development, implementation and administration of the audit and risk management system aimed at improving the management reporting of the service, provide efficiencies and improved links with risk management.
 - The Financial Management Standard in schools (FMSIS) is now in its fifth year. In 2010/11 47 primary schools and one special school from the first tranche in 2008 will be reassessed for their renewals. In addition, seven amalgamated primary schools will be assessed for the first time and five reassessments will be done for four primary schools and one secondary school.
 - An annual review of the Council's corporate governance framework and risk management arrangements is scheduled together with a bi-annual review of Financial Rules.
 - Days have been allocated to provide Internal Audit Services for our external clients; Shropshire Fire and Rescue, Just Credit Union, Shropshire Pension Fund and Oswestry Town Council.
 - Funding from the Learning Skills Council is being passported across to Local Authorities. Part of the responsibility of the Council will be to ensure that this funding is used appropriately for the purposes that it was intended. Internal Audit will have a role to play in this, but at this point the role is yet to be clarified. An amount of ten days has therefore been included in the plan.
7. A copy of the draft plan will be forwarded to the Audit Commission for their comments on coverage and to ensure that there will be no overlaps of work between the teams.
8. Whilst every effort has been made to include all key audit areas required in the plan, if other items are identified from discussions with our colleagues from the Audit Commission, or as knowledge becomes available from other

sources, these will be agreed with the Section 151 Officer and reported to a future Audit Committee.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

None used

Human Rights Act Appraisal

The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.

Environmental Appraisal

N/A

Risk Management Appraisal

The failure to provide a full and detailed internal audit plan could lead to weaknesses in the internal control environment not being identified

Community / Consultations Appraisal

N/A

Cabinet Member

Keith Barrow, Leader of the Council (Brian Williams, Chairman of Audit Committee)

Local Member

All

Appendices

Appendix A – 2010/11 Summary of Internal Audit Plan by Service

2010/11 SUMMARY OF AUDIT PLAN BY SERVICE**CHIEF EXECUTIVE**

LADS	25
Performance & Partnerships	88
	<hr/> 113

DEVELOPMENT SERVICES

Strategy & Policy	5
Development Management	55
Economic Development	8
Highways Strategy	28
Transportation	10
Environmental Health & Trading Standards	10
Waste	10
Environmental Maintenance - Highways	26
Environmental Maintenance - Street Scene	5
Parking	16
Business Support	5
	<hr/> 178

COMMUNITY SERVICES

Housing	75
OPPD	95
Learning Difficulties	38
Group Homes	44
Comforts Funds	46
Trading Accounts	10
Leisure	20
Outdoor Recreation	3
Arts	10
Museums	7
Strategy & Business Support	10
	<hr/> 358

CHILDREN & YOUNG PEOPLE'S

Early Years	15
Primary	280
Secondary	30
Special	6
MAT & Prevention	15
Social Care & Safeguarding	55
Achievement & Inclusion	15
Grants	6
Strategy & Business Support	62
	<hr/> 484

RESOURCES

Finance	364
Property Services	89
Shire Services	40
Risk & Insurance	10
Corporate Issues	124
	<u>627</u>

IT AUDIT

Corporate Systems	131
Children & Young People's	15
Community Services	36
Development Services	24
Resources	47
Chief Execs	5
	<u>258</u>

CONTINGENCY

Fraud Contingency	180
IT Contingency	22
Unplanned audit contingency	110
Advisory - new systems	50
	<u>362</u>

AUDIT CHARGEABLE OVERHEADS

Cheque Procedures	42
Audit Committee	50
Corporate Meetings (Security Group, Finance Officers, Procurement)	15
Audit Plans & Needs Assessment	15
Mk Insight - Development	50
S151, Audit Commission & Director Quarterly Meetings	21
Chief Auditors Network	15
Staff Appraisal	26
Professional Training Secondment	60
Other chargeable work	38
	<u>332</u>

HONORARY & VOLUNTARY FUNDS

School Funds	5
Other Funds	35
	<u>40</u>

EXTERNAL CLIENTS

Credit Union	17
Pensions Fund	63
Shropshire Fire & Rescue	48
Oswestry Town Council	29
	<u>157</u>

TOTAL AUDIT PLAN DAYS FOR 2009/10

2,909