



Committee and date

Audit Committee

23 March 2011

10.00am

Item No

9

Public

DRAFT INTERNAL AUDIT PLAN 2011/12

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Summary

A detailed audit plan for 2011/12 amounting to 2,868 days has been identified. This provides coverage across the Council's services and delivers internal audit services for a range of external clients. It takes account of issues identified by managers; changes to and the introduction of new systems; allows for the transformational changes the Council will undertake and the outcome of the corporate and operational risk frameworks. Some minor adjustments may be needed to the plan before it is finalised: if significant these will be agreed by the Section 151 Officer and reported to the next Audit Committee.

Recommendations

- A. Members are asked to consider, comment upon and approve the proposed Internal Audit Plan for 2011/12.

Report

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, 2010/11, sees the completion of the second 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 Directors, Corporate Heads of Service, Managers and the Section 151 Officer to ensure that it remains robust and relevant to the needs and risk profile of the Council. This is particularly important given the significant changes the Council is going through and planning for the future. This

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 2011/12 a complete overhaul of the structure has taken place to reflect the Council's revised management structure resulting from the 'New Operating Model.' Account has also been taken of:
 - changes to and the introduction of new services.
 - the Transformation Programme.
 - the budget pressures.
 - 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 different delivery models for future service delivery.
 - risks identified by the risk management process.
 - large contracts to be undertaken, such as waste and highways and
 - the ongoing impact following the Council's achievement of Unitary status.
4. **Appendix A** provides a summarised audit plan for 2011/12 and identifies a planned day requirement of 2,868 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 Requirement 2009/10 to 2012/13, is accounted for by the permanent loss of three posts to provide savings in future year budgets and a maternity leave that will not be covered. In addition to these changes and following the adoption of the new management structure and operating model, from the 1st April 2011 the team will report to the Head of Business Improvement directly. There will be a dotted line of responsibility to the Section 151 Officer to ensure that the statutory requirements are observed and delivered.
6. In preparing the plan for 2011/12 account has been taken of those audits completed in 2010/11. The key items to note this year are:

- Days have been included in the plan to cover the fundamental systems audit work in which reliance will be placed by the Audit Commission as they assess the Council's final accounts. A number of these areas continue to be in their infancy following the creation of the unitary authority, in terms of embedding common systems and working practices and are therefore allocated time to reflect these risks.
- A contingency of 200 days is allocated to transformation projects. These projects are yet to be clearly identified and scoped but will include:
 - procurement and commissioning initiatives.
 - reviewing different delivery models (shared services, outsourcing, trusts and partnerships).
 - project assurance.
 - advising on changes to processes and therefore internal controls as a result of structural changes and staffing reductions (manual and IT).
 - government changes to systems.
- To accommodate this the unplanned work contingency has been more than halved to 50 days.
- Significant changes are planned in respect of our Human Resource management and Payroll processes. To reflect these risks time has been allocated for a full payroll audit and for reviews of new starter, redeployment arrangements and time management systems.
- Given the proposed changes to services and processes, it is envisaged that these will impact on internal controls i.e. the reduced workforce may impact on separation of duties and the economic climate may encourage potential frauds. The fraud contingency is therefore set at 150 days.
- The replacement process for the Financial Management Standard in Schools (FMSIS) is known but full details are still being worked through and the plan has been designed to accommodate these.
- Days are allocated to provide Internal Audit Services to our external clients; Shropshire Fire and Rescue, Just Credit Union, Shropshire Pension Fund, Oswestry Council and for the first time West Mercia Supplies (WMS).
- Risks identified in the Council's risk register, at both strategic and operational level have been considered in finalising the plan. For example IT audits account for 178 days and are targeted at ensuring that appropriate system controls are in place to protect our information and to ensure compliance with legislative requirements. IT audit work

is impacted on with the reduction in days, since the maternity cover post would normally provide additional resources in this area.

- With planned initiatives in the area of procurement and commissioning, the area of contract auditing is also invested in with planned work on financial evaluations of companies tendering for work, procurement cards, key supply contracts and contract rules.
7. A copy of the draft plan will be forwarded to the Audit Commission for their comments on coverage and to minimise any 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.
 9. **Financial Implications**

The gross budget for Internal Audit in 2011/12 is £676,500 and the proposed plan will be met from within this.

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

Strategic Audit Plan Day requirement and risk analysis of audit universe.

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