



Committee and Date

Audit Committee
19 September 2012
2.00 pm

Item

15

Public

INTERNAL AUDIT ANNUAL PLAN 2012/13

Responsible Officer Ceri Pilawski

e-mail: Ceri.pilawski@shropshire.gov.uk

Tel: 01743 252027

1. Summary

This report proposes refinement of and revisions to the Internal Audit Plan which was presented as a draft in March 2012 amounting to 2,778 days. The new plan will provides 2,485 days across the Council's services and our external clients. As a consequence of staffing changes, income fluctuations, recruitment difficulties and uncertainty around the shape and audit needs of the Council moving forward, it has been decided to purchase additional support from external providers in line with the Council's future plans. These changes have been discussed with and agreed by the Section 151 Officer.

2. Recommendations

The Committee are asked to consider and endorse, with appropriate comment, the revisions to the proposed Internal Audit Plan for 2012/13 and approve its adoption.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Reviewing the risk based audit plan is an important responsibility of the Audit Committee. In devising this plan Members should be assured that the plan is linked to the Council's key risk registers and in providing this plan there is an increased opportunity that any weaknesses in the internal control environment that are critical to the Council's operations will be identified and rectified where possible and viable.
- 3.2 Areas to be audited within the plan have been considered with the knowledge of risk register information. In addition, IT audits have been selected with knowledge from the key systems register, which shows systems rated in accordance with their importance to the business.

3.3 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

3.4 Provision of the Internal Audit Annual Plan satisfies the Accounts and Audit Regulations 2011, part 2, section 6 in relation to internal audit which state:

'A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.'

4. Financial Implications

4.1 The service will be met from within the approved budget.

5. Background

5.1 The draft 2012/13 audit plan was presented and approved by members at the 22 March Audit Committee with the caveat that some minor adjustments may be necessary before the plan was finalised. There have been significant staffing changes in the first three months of the year that have impacted upon the plan.

5.2 We began the year with two vacancies, one was filled, but the second, although offered to an applicant, was declined due to the terms and conditions changes. One auditor has left to take up another appointment and two auditors announced they were due to commence maternity leave in November. An Auditor currently on maternity leave has requested a return to work on a revised four day week contract and another has requested half time working. The cumulative effect of these changes amounts to a loss of 525 audit days.

5.3 Given the Council's financial challenges and future plans, we have explored the opportunity to seek alternatives to the delivery of audit, namely the buying in of audit resources from external providers managed through our own senior staff. Given the current climate and the uncertainty over what the Council's internal audit requirements will be in the future this approach has considerable advantages, namely it:

- Reduces the fixed staffing costs of internal audit allowing us to reorganise to suit the Council's needs over the next three years at reduced cost.
- Provides greater security and safeguards existing permanent staff.
- Forges links with outside providers and facilitates shared learning.
- Provides access to a wider skills and knowledge base from larger providers especially useful for new and unique audit areas.
- Allows flexibility following any income fluctuations resulting from changes to external client contracts.

5.4 On the down side, external providers are more expensive than the internal team, the budget savings from the staff changes will allow us to buy in approximately 200 days resulting in a net loss of 293 days compared to the 525 days lost from

the staffing changes. **Appendix A** provides the summarised audit plan and identifies a planned day requirement of 2,778 days.

- 5.5 The loss of resources has necessitated a major revision of the audit plan taking into account our activity in the first three months of the year. Special investigation work has continued at the same high level as last year necessitating an increase in the fraud contingency by 128 days, a number of fundamental systems audits were not completed until April and May requiring increases to the current years plan and 24 days have been added for the audit of a new client, West Mercia Energy.
- 5.6 The largest single reduction is in the schools area. On the basis of our risk assessment and that as the majority of schools are only required to submit their Schools Financial Value Standard assessments for review by 31 March 2013, the decision has been taken to postpone the majority of visits until next year when the new assessments will be available for review. This will save 139 days in the plan without detrimentally impacting on the annual audit opinion in the short term.
- 5.7 The proposed changed approach to service delivery has been endorsed by the Section 151 Officer. The plan changes have been discussed in detail and approved.

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

Draft Internal Audit Annual Plan 2012/13 - Audit Committee 22 March 2012

Cabinet Member (Portfolio Holder)

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

Local Member n/a

Appendices

Appendix A – 2012/13 Summary of Internal Audit Plan by Service

APPENDIX A

2012/13 SUMMARY OF INTERNAL AUDIT PLAN BY SERVICE

	Original Plan	August Revisions	June Revised Plan
CHIEF EXECUTIVE			
Area Directors			
Leisure Services	10	2	12
Community Action	5		5
	15	2	17
Business Improvement			
Performance & Design	20	-5	15
ICT Implementation & Architecture	26	-3	23
ICT Operations	92	-6	86
Risk Management	16	-4	12
	154	-18	136
Finance & Commerce			
Financial Advice (S.151)	121	-47	74
Financial Management	81	-23	58
Treasury & Exchequer	85	6	91
	287	-64	223
Legal and Democratic			
Democratic & Election Services	9	-5	4
Legal Services Places	5		5
	14	-5	9
Organisation Development			
HR Services	53	-26	27
HR Systems Measures & Programme	13	-5	8
Strategic HR Business Partner	15	-15	0
	81	-46	35
Strategic Planning			
Infrastructure & Growth	5	-5	0
Partnership	10	-10	0
Planning & Corporate Policy	23	0	23
	38	-15	23
Total for Chief Executive	589	-146	443
PEOPLE			
Assessment & Eligibility			
Developmental Support	5		5
Long Term Support	24	-19	5
Provider Services	246	25	271
	275	6	281
Learning & Skills			
Business Support	24	-11	13
Education Improvements	257	-139	118
Lifelong Learning	10	-5	5
	291	-155	136
Public Protection & Enforcement			
Community Welfare	5	-5	0
Environmental Enforcement	20	-4	16
Environmental Health	28	-15	13
	53	-24	29

	Original Plan	June Revisions	June Revised Plan
Safeguarding			
Assessment & Looked After Children	8		8
Children's Placement Services & Joint Adoption	45		45
Support Services	5		5
	58	0	58
Total for People	677	-173	504
PLACES			
Business Growth & Prosperity			
Enterprise & Business	31	-16	15
Theatre Severn	12	-4	8
Visitor Economy	29	-3	26
	72	-23	49
Commissioning/ Procurement			
Procurement	73	-17	56
Contracts	5		5
	78	-17	61
Customer Care & Involvement			
Benefits	45	0	45
Customer Services	8		8
Revenues	40	3	43
	93	3	96
Environment			
Development Management	30	-20	10
Highways & Transport	38	6	44
Waste Service Manager	15	-15	0
	83	-29	54
Facilities Management			
Estates & Facilities	20	-10	10
Passenger Transport	17	-2	15
Property Services	45	-15	30
Shire Services	41	-18	23
	123	-45	78
Total for Places	449	-111	338
HEALTH & CARE			
Care and Well-Being			
Housing Landlord Services	5		5
Health & Social Care Integration	12	-2	10
Housing Health & Well-Being	8		8
Housing Landlord Services	63	0	63
Total for Health and Care	88	-2	86
Contingencies and Other Chargeable work			
Transformation Projects	150	0	150
Fraud Contingency	165	128	293
Unplanned Work	50	0	50
Advice	30	-10	20
Other non-audit Chargeable Work	362	-3	359
Total Contingencies and Chargeable work	757	115	872

Total for Shropshire	2,560	-317	2,243
External Clients			
Honorary and Voluntary Funds	40		40
Just Credit Union	15		15
Shropshire Fire and Rescue	53		53
Pension Fund	81		81
Oswestry Town Council	29		29
West Mercia Energy	0	24	24
Total External Clients	218	24	242
Total Audit Plan	2,778	-293	2,485