

AUDIT PLAN 2009/10

Report By: Chief Internal Auditor

Wards Affected

County Wide

Purpose

To present the 2009/10 Audit Plan to the Audit and Corporate Governance Committee.

Financial Implications

None identified.

RECOMMENDATION

THAT Subject to any comments from the Audit and Corporate Governance Committee the Audit Plan for 2009/10 is adopted.

Reasons

Preparation and adoption of the Audit Plan represents best practice as required by the CIPFA Code of Practice for Internal Audit In Local Government and is an integral part of the Council's Internal Controls procedures under the Use of Resources assessment for 2009.

Considerations

1. The Accounts and Audit Regulations 2003 (as amended) established that a relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practice. The guidance accompanying the legislation states that, for principal local authorities, proper internal control practice for internal audit are those contained within the CIPFA code.
2. Herefordshire Council also has an obligation to include in its Statement of Accounts an Annual Governance Statement. The work of Audit Services is one of the assurance elements for this statement.
3. In addition, the work of Audit Services forms a significant part of the Council ensuring it meets its obligations under the Accounts and Audit Regulations and the Use of Resources assessment.
4. The Code of Practice for Internal Audit in Local Government in the United Kingdom (2006) states that "The Head of Internal Audit should prepare a risk-based audit plan designed to implement the audit strategy. In preparing the

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plan, the Head of Internal Audit should take account of the adequacy and outcomes of the organisation's risk management, performance management and other assurance processes”.

5. The approach to preparing the Annual Audit Plan is fundamentally based upon the Council's Risk Strategy and covers risk assessments in the following areas:
 - (a) Financial standards, which will cover the Council's fundamental systems.
 - (b) Non-fundamental systems.
 - (c) Corporate governance arrangements to include anti-fraud activity.
 - (d) Other key systems.
 - (e) ICT protocols and controls (Council-wide).
 - (f) Establishment visits.
 - (g) Verification and probity audits.
 - (h) Results of recommendations follow-up.
 - (i) Performance Management.
6. Each area is assessed for potential risks and classified as a high, medium, or low risk. In addition, within each risk area, consideration is also given to residual risk for specific functions, or establishments, based upon past Audit opinion and current knowledge including a review of Risk Registers at Corporate and Directorate level.
7. A key part of the risk methodology is that fundamental systems are always high no matter what their previous audit opinion is, as these are critical systems whose failure could cause major disruption or loss of financial control to the Council. These systems are identified by an analysis of the Council's last published accounts and further identification of the information systems impacted upon.
8. The Code also states that “the 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”.
9. All the work in the Audit Plan (Appendix 1 refers) is assurance work except for the following:
 - (a) Integrated Commissioning Directorate – Safeguarding 10 days.
 - (b) Integrated Commissioning Directorate – Service Review 20 days.
 - (c) Other key Systems – Shared Services Project 10 days.

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- (d) ICT Protocols and Controls - Herefordshire Connects 20 days.
 - (e) Performance Management - Quality Assurance Check 10 days.
10. In addition all the work within the current plan forms the basis for the Chief Internal Auditor to give an opinion on the Council's systems of internal control and is therefore deemed a priority; however preference will be given to fundamental system work due to the impact on the assurance work of the Audit Commission.
11. Links to the Council's Standing Orders and Financial Regulations, and scheme of delegation are evidenced by audit work set out below:
- (a) Establishment audits cover inventories, budget monitoring and control, procurement and contracts, purchasing and stock control, income, Insurance, voluntary funds and imprest accounts.
 - (b) Reviews at Directorate level cover compliance with Standing Orders for the Regulation of Contracts.
 - (c) A review of the Gifts and Hospitality Register; and receipt of written assurances from key managers including the Chief Executive and Directors.
 - (d) Fundamental reviews such as those covering Debtors, Asset Register, Treasury Management, Creditors, and Payroll also contribute.
 - (e) Reviews of delegation arrangements at Corporate and Directorate level.
12. Following the risk assessment, the base plan identified 1,893 days of resources compared to available resources of 1,824 days, a difference of some 69 days. To align available days with requirements the Shared Services Project (consultancy) was reduced by 10 days. In addition Herefordshire Connects (consultancy) was reduced by 30 days and the contingency by 29 days. The reductions are not viewed as affecting fundamental systems work.
13. The Council's improvement programme will be supported by the secondment of an Audit Manager to the programme.
14. With regards to Fundamental Systems the Audit Commission requirements for 2009/10 are currently being ascertained, and these will be reported to members when known. The Chief Internal Auditor will confer with the Director of Resources and then liaise with other Directors and Heads of Service to ensure that the requirements of the Audit Commission are met in full.
15. The plan also reflects continuing Audit Services involvement in supporting key corporate priorities such as the Performance Management Framework, Project Management, Risk Management, Local Area Agreements (LAA), Herefordshire Connects and the Public Service Trust.
16. Any revisions to the plan for 2009/10 will be reported to members.

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17. Consultation has taken place with the Chief Executive, the Deputy Chief Executive and relevant Directors on the plan and their comments have been taken into account.

Risk Management

18. There is the risk that the Audit Plan is not completed. The key control measure will be monthly progress reports to the Director of Resources. Progress on the Audit plan will form part of the Interim Assurance Reports to the Audit and Corporate Governance Committee. If required temporary resources will be brought in to cover any vacancies if they arise.

BACKGROUND PAPERS

The Code of Practice for Internal Audit in Local Government in the United Kingdom (2006).