

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	29 JUNE 2010
TITLE OF REPORT:	AUDIT PLAN 2010/11
OFFICER:	CHIEF INTERNAL AUDITOR

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To present the 2010/11 Audit Plan to the Audit and Governance Committee.

Key Decision

This is not a Key Decision.

Recommendation

THAT Subject to any comments from the Audit and Governance Committee the 2010/11 Audit Plan is adopted.

Key Points Summary

- The Audit Plan covers a fixed period of one year.
- Paragraph nine identifies consultancy work.
- The base plan has been aligned to resources available.
- Priority will be given to fundamental and other key systems work.
- Paragraph 18 identifies the joint programme of work that will be jointly carried out with the PCT internal auditors.
- The Audit Plan will be reviewed on a regular basis in consultation with the Deputy Chief Executive and individual Directors.

Alternative Options

1. There are no alternative options as this is a requirement of the Audit and Governance Code...

Further information on the subject of this report is available from
Tony Ford – Chief Internal Auditor on (01432) 260425

Reasons for Recommendations

2. This is a requirement of the Audit and Governance Code.

Introduction and Background

3. 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.

Key Considerations

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 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 an extreme, 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.
7. A key part of the risk methodology is that fundamental systems are always extreme 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) ICT Protocols Agresso Installation (Consultancy) 10 days.
- (b) ICT Protocols - IPG Group (Consultancy) 10 days.
- (c) Other Key Systems – Shared Services (Consultancy) 20 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 covering inventories, budget monitoring and control, procurement and contracts, purchasing and stock control, income, Insurance, voluntary funds and imprest accounts.
- (b) Reviews at Directorate level covering 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 Directors and Heads of Service.
- (d) Fundamental reviews such as those covering Debtors, 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 1700 days of resources compared to available resources of 1603 days, a difference of some 97 days. Available days were aligned with requirements as follows

	Days	Days
Base Plan		1700
Non-fundamental System - Registrar of Births, Deaths and Marriages	10	
Non-fundamental System – Supply Cover	15	
Verification and Probity	10	
Contingency reduction	62	
Total reductions		97
Adjusted Base Plan		1603

13. The adjustment made to align the plan to available resources, does not include any high risk areas and should not impact adversely on the work required to give an opinion on the Councils overall internal control environment.

14. The Council's improvement programme (including Shared Services) will continue to be supported by the secondment of an Audit Manager to the programme fulltime.

15. With regards to Fundamental Systems the Audit Commission requirements for 2010 -11 are currently being ascertained, and these will be reported to members when known. The Chief Internal Auditor will then liaise with Directors and Heads of Service to ensure that the requirements of the Audit Commission are met in full.

16. 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.
17. The last CIPFA Customer Survey identified the need for Value for Money reviews, to address this issue and taking account of the Council's drive on reducing duplication, where audit reviews identify duplication this will be highlighted in the final report, with suggestions for elimination of such duplication.
18. The Chief Internal Auditor has meet with the PCT Internal Auditors and agreed joint projects that will be undertaken during 2010/11. This will cover
 - a. Shared Services Consultancy
 - b. Integrated Commissioning
 - c. ISO 27001 work.
 - d. Section 75 Agreements
 - e. Health Delivery of Outcomes. (World Class Commissioning)
 - f. Continuing Health Care
19. Any further revisions to the plan for 2010 -11 will be reported to members.

Community Impact

20. None Identified

Financial Implications

21. None.

Legal Implications

22. Under the Accounts and Audit Regulations 2003 (as amended) established that the Council shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to Internal Control.
23. In addition under Section 151 Local Government Finance Act 1972 the Director of Resources (as Section 151 Officer) is responsible for ensuring that proper arrangements exist for the management of the Council's financial affairs. Reliance on Internal Audit is fundamental to the fulfilment of that responsibility. .

Risk Management

24. 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 Governance Committee. If required temporary resources will be brought in to cover any vacancies if they arise

Consultees

25. Consultation has taken place with Joint Management Team and the Joint Director of ICT on the plan and their comments have been taken into account.

Appendices

Appendix 1 Audit Plan 2010/11

Background Papers

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