

**2010/11 INTERNAL AUDIT DRAFT OPERATIONAL PLAN**

Relevant Portfolio Holder	Councillor Geoff Denaro Portfolio Holder for Finance
Relevant Head of Service	Jayne Pickering, Executive Director Finance & Corporate Resources
Key Decision / Non-Key Decision	

**1. Purpose**

- 1.1 To present the Bromsgrove District Council Internal Audit Draft Operational Plan for 2011/12 for approval, see **Appendix A**.
- 1.2 To present the Internal Audit Shared Service's set of key performance indicators for 2011/12 for approval, see **Appendix B**.

**2. Recommendation**

- 2.1 That the Internal Audit Draft Annual Operational Plan for 2011/12 at **Appendix A** is approved by Audit Board.
- 2.2 That the Internal Audit Shared Service's set of key performance indicators for 2011/12 at **Appendix B** is approved by the Audit Board.

**3. Background**

- 3.1 The objectives of the Worcestershire Internal Audit Shared Service are to:
  - examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the council and recommend arrangements to address weaknesses as appropriate;
  - examine, evaluate and report on arrangements to ensure compliance with legislation and the council's objectives, policies and procedures;
  - examine, evaluate and report on procedures to check that the council's assets and interests are adequately protected and effectively managed;
  - undertake independent investigations into allegations of fraud and irregularity in accordance with council policies and procedures and relevant legislation; and
  - advise upon the control and risk implications of new systems or other organisational changes.

- 3.2 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2003 (as amended 2006) to “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”.
- 3.3 To aid compliance with the regulation, the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 details that “Internal Audit work should be planned, controlled and recorded in order to determine priorities, establish and achieve objectives and ensure the effective and efficient use of audit resources”.

**4. Key Issues**

**Formulation of Annual Plan**

- 4.1 The draft Internal Audit Plan for 2011/12, which is included at **Appendix A**, is a risk based plan which takes into account the adequacy of the council’s risk management, performance management and other assurance processes. It has been based upon the risk priorities per the corporate risk register and per discussions with Directors and Heads of Service as well as upon an independent risk assessment of the audit universe by Internal Audit. The Internal Audit Plan for 2011/12 has been agreed with the council’s section 151 officer.

**Resource Allocation**

- 4.2 The Worcestershire Internal Audit Shared Service is currently undergoing a restructure due to the staffing cuts agreed as part of the Shared Service Business Case and further reductions now required due to the reduced funding to be received by councils from 2011/12.
- 4.3 The Internal Audit Plan for 2011/12 has therefore been based upon a reduced resource allocation of 430 days, of which 305 days are deemed to be chargeable, a resource allocation which has been agreed with the council’s section 151 officer. This compares to a resource allocation of 555 days for the revised 2010/11 plan, of which 397 days were deemed to be chargeable.
- 4.4 The draft Internal Audit Plan for 2011/12 is set out at **Appendix A**. For comparative purposes the allocation of days for 2011/12 has been compared against the revised plan for 2010/11 to enable the Committee can see where the reduced number of days has impacted on the plan.

**Impact on delivery**

- 4.5 The Service Manager of the Worcestershire Internal Audit Shared Service is confident that she can provide management and those charged with governance with the assurances and coverage that they require over the system of internal control within the reduced resource allocation for 2011/12 for the following reasons:
- (a) The introduction of a consistent audit methodology and computerised audit software for 2011/12 will result in more efficient ways of undertaking, documenting and managing work. This will lead to a reduction in the number of days required for audit reviews without a proportionate reduction in the assurances and coverage provided to management as more audits will be covered within a given resource allocation than would have been the case in previous years.
  - (b) The rate charged to Bromsgrove District Council for the Internal Audit Shared Service will decrease from £239 per day in 2010/11 to £227 per day in 2011/12. This will mean that the reduction in the number of audit days will not be proportionate to the financial saving for Bromsgrove District Council as Internal Audit will be able to deliver more days within a given budget than would have been the case in 2010/11.
  - (c) The audit plan for 2011/12 is more risk focused, focusing on the council's corporate priorities, key risks per the risk register and per consultation with Heads of Service and Directors, the materiality of systems and risks pertaining to them. This will mean that management will be given assurance over all of the significant systems and key areas of risk to the council whilst time will not be spent on auditing systems which may have been routinely audited in the past but which are deemed to be immaterial and have no significant risks pertaining to them.

**Financial implications**

- 4.6 The reduced allocation of days in the Audit Plan for 2011/12 will result in a financial saving for the council. The estimated charge to the council for the Internal Audit service for 2011/12 based upon this plan will be £69,242. This compares to a charge of £94,883 for 2010/11 if the revised plan is delivered in full and a charge of £92,322 per the WETT business case for 2011/12. This will result in a financial saving of £25,641 and 27% for the council in comparison to 2010/11 and of £23,080 and 25% in comparison to the WETT business case for 2011/12.

**Monitoring and reporting of performance against the Plan**

- 4.7 Operational progress against the Internal Audit Plan for 2011/12 will be closely monitored by the Service Manager of the Worcestershire Internal Audit Shared Service and will be reported to the Shared Service's Client Officer Group, which comprises the section 151 officers from client organisations, on a monthly basis and to the Audit Committee on a quarterly basis.
- 4.8 The success or otherwise of the Internal Audit Shared Service will be determined by the performance against a set of key performance indicators which have been developed for the service. These have been agreed with the council's section 151 officer and are included at **Appendix B**. Performance against these indicators will be reported to the Audit Committee at the frequency stipulated in Appendix B.

**5. FINANCIAL IMPLICATIONS**

- 5.1 Delivery of the revised Audit Plan for 2010/11 will result in a saving to the Council against the budgeted costs for the Internal Audit Service as set out in the Worcestershire Internal Audit Shared Service Business Case of November 2009. The anticipated saving has been quantified in paragraph 4.6 of this report.

**6. LEGAL IMPLICATIONS**

- 6.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2003 (as amended 2006) to "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 internal audit practices".

**7. POLICY IMPLICATIONS**

- 7.1 None.

**8. COUNCIL OBJECTIVES**

- 8.1 Council Objective 02: Improvement.

**9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS**

- 9.1 The main risks associated with the details included in this report are.

- Non-compliance with statutory requirements.
- Ineffective Internal Audit service.
- Lack of an effective internal control environment.

9.2 These risks are being managed as follows:

- Risk Register: Financial Services
- Key Objective Ref No: 3
- Key Objective: Efficient and effective Internal Audit service

**10. CUSTOMER IMPLICATIONS**

10.1 The internal control and assurance framework ensures that the services delivered by the Council to the customer are undertaken with a robust and effective framework of processes and procedures.

**11. EQUALITIES AND DIVERSITY IMPLICATIONS**

11.1 None as a direct result of this report.

**12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT**

12.1 A robust internal control environment ensures that Value for Money is delivered in the service provision across the Council.

**13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY**

13.1 Climate Change is included as a risk to be managed on the Corporate and service area risk registers.

**14. HUMAN RESOURCES IMPLICATIONS**

14.1 None.

**15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS**

15.1 Effective governance process.

**16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998**

16.1 None.

**17. HEALTH INEQUALITIES IMPLICATIONS**

17.1 None.

**AUDIT BOARD**

Date 11th April 2011

**18. LESSONS LEARNT**

18.1 Nothing to report for this Board.

**19. COMMUNITY AND STAKEHOLDER ENGAGEMENT**

19.1 None as a direct result of this report.

**20. OTHERS CONSULTED ON THE REPORT**

Portfolio Holder	No
Chief Executive	No
Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Cultural, Environmental and Community Services	No
Executive Director – Planning & Regeneration, Regulatory and Housing Services	No
Director of Policy, Performance and Partnerships	No
Head of Finance and Resources	No
Head of Legal, Equalities & Democratic Services	No
Corporate Procurement Team	No

**21. WARDS AFFECTED**

All Wards.

**22. APPENDICES**

None

**23. BACKGROUND PAPERS**

Appendices A and B to this report.

**AUDIT BOARD**

Date 11th April 2011

---

**AUTHOR OF REPORT**

Name: Gillian Tanfield  
Service Manager ~ Worcestershire Internal Audit Shared  
Service  
E Mail: gillian.tanfield@worcester.gov.uk  
Tel: 07768 553498