

**BROMSGROVE DISTRICT COUNCIL**

**AUDIT BOARD**

Date: 13<sup>th</sup> DECEMBER 2012

**THE 2013/14 DRAFT INTERNAL AUDIT PLAN REPORT OF THE SERVICE MANAGER OF THE WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.**

|                                 |                                    |
|---------------------------------|------------------------------------|
| Relevant Portfolio Holder       | Councillor Roger Hollingworth      |
| Portfolio Holder Consulted      | Yes                                |
| Relevant Head of Service        | Teresa Kristunas Head of Resources |
| Ward(s) Affected                | All Wards                          |
| Ward Councillor(s) Consulted    | No                                 |
| Key Decision / Non-Key Decision | Non–Key Decision                   |
|                                 |                                    |

**1. SUMMARY OF PROPOSALS**

1.1 To present:

- the Bromsgrove District Council Draft Internal Audit Operational Plan for 2013/14 for noting.
- to confirm the key performance indicators for the Worcestershire Internal Audit Shared Service for 2013/14

**2. RECOMMENDATIONS**

2.1 **The Board is asked to RESOLVE that the report be noted.**

**3. KEY ISSUES**

**Financial Implications**

3.1 There are no direct financial implications arising out of this report.

**Legal Implications**

3.2 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2011 to “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”.

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".

**Service / Operational Implications**

Internal Audit Aims and Objectives

3.3 The aims and 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 e.g. transformation.

Formulation of Annual Plan

The Internal Audit Plan for 2013/14, which is included **at Appendix 1**, 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 discussions with the s151 Officer and Heads of Service as well as an independent risk assessment of the audit universe by Internal Audit. The Internal Audit Plan for 2013/14 has been agreed with the council's section 151 officer.

By bringing a provisional plan of work to Members at this stage of the planning process it allows Members to have a positive input into the audit work programme for 2013/14 and make suggestions as to where they feel audit resources should be directed. As with all plans it may subject to review as the year progresses in consultation with the s151 Officer.

Resource Allocation

The Internal Audit Plan for 2013/14 has been based upon a resource allocation of 300 chargeable days, a resource allocation which has been agreed with the council's s151 officer. The Service Manager of the Worcestershire Internal Audit Shared Service is confident that, with this resource allocation, he can provide management, external audit and those charged with governance with the assurances and coverage that they require over the system of internal control, annual governance statement and statement of accounts. The 300 day allocation is based on transactional type system audits. Enhanced audit requirements would require reallocation or additional audit days. Any such requirement and the implications can be further discussed at the Audit Board meeting. Additional areas that could be considered for auditing but have not been included in the draft plan have been identified at the foot of the draft plan for information/consideration purposes.

The draft Internal Audit Plan for 2013/14 is set out at **Appendix 1**.

Monitoring and reporting of performance against the Plan

Operational progress against the Internal Audit Plan for 2013/14 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 s151 officers from client organisations, on a quarterly basis and to the Audit Board on a quarterly basis.

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 s151 officer and are included at **Appendix 2**.

**Customer / Equalities and Diversity Implications**

There are no implications arising out of this report.

**4. RISK MANAGEMENT**

4.1 The main risks associated with the details included in this report are:

failure to complete the planned programme of audit work within the financial year;  
and,

the continuous provision of an internal audit service is not maintained.

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These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area.

**5. APPENDICES**

Appendix 1 ~ Outline Internal Audit Plan 2013/14  
Appendix 2 ~ Key performance indicators 2013/14

**6. BACKGROUND PAPERS**

None

**7. KEY**

N/a

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**DETAILED PROVISIONAL AUDIT PLAN FOR 2013/14**

**APPENDIX 1**

| <b>Audit Area</b>  | <b>Source</b>            | <b>Planned days<br/>2012/13</b> | <b>Planned days<br/>2013/14</b> | <b>Difference =<br/>+ or -</b> |
|--|--------------------------|---------------------------------|---------------------------------|--------------------------------|
| <b>A – CHARGEABLE AND PRODUCTIVE</b>   |                          |                                 |                                 |                                |
| <b>Core Financial Systems</b>  |                          |                                 |                                 |                                |
| Benefits   | Risk assessment score 36 | 15                              | 15                              | 0                              |
| NDR  | Risk assessment score 36 | 12                              | 12                              | 0                              |
| Council Tax  | Risk assessment score 33 | 12                              | 12                              | 0                              |
| General Ledger, Budget Control & Bank Reconciliations  | Risk assessment score 33 | 21                              | 17                              | -4                             |
| Treasury Management  | Risk assessment score 30 | 7                               | 7                               | 0                              |
| Creditors  | Risk assessment score 29 | 7                               | 10                              | 3                              |
| Debtors  | Risk assessment score 28 | 7                               | 7                               | 0                              |
| Asset Management   | Risk assessment score 26 | 7                               | 7                               | 0                              |
|  |                          | <b>88</b>                       | <b>87</b>                       | -1                             |
| <b>Corporate</b>   |                          |                                 |                                 | 0                              |
| Shared Service Delivery (Client)   | Risk assessment score 36 | 15                              | 12                              | -3                             |
| ICT  | Risk assessment score 35 | 14                              | 14                              | 0                              |
| Corporate Governance (Health & Safety, Media & Comm's, Performance Indicators & data quality ) | Risk assessment score 31 | 10                              | 10                              | 0                              |
| Risk Management  | Risk assessment score 31 | 15                              | 15                              | 0                              |
| s106's   | Risk assessment score 31 | 0                               | 10                              | 10                             |
| Transitional (Critical friend)   | Section 151 request      | 15                              | 7                               | -8                             |
|  |                          | <b>69</b>                       | <b>68</b>                       | -1                             |

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| <b>Audit Area</b>                              | <b>Source</b>            | <b>Planned days<br/>2012/13</b> | <b>Planned days<br/>2013/14</b> | <b>Difference =<br/>+ or -</b> |
|--|--------------------------|---------------------------------|---------------------------------|--------------------------------|
| <b>Other Systems Audits</b>                    |                          |                                 |                                 | 0                              |
| Environmental Enforcement                      | Risk assessment score 33 | 0                               | 8                               | 8                              |
| Depot and Stores                               | Risk assessment score 32 | 0                               | 10                              | 10                             |
| Development & Building Control                 | Risk assessment score 29 | 0                               | 8                               | 8                              |
| Regulatory Services                            | Risk assessment score 28 | 0                               | 15                              | 15                             |
| Land Charges                                   | Risk assessment score 28 | 0                               | 8                               | 8                              |
| BURT Dial a Ride                               | Risk assessment score 28 | 0                               | 7                               | 7                              |
| Strategic Housing                              | Risk assessment score 27 | 0                               | 8                               | 8                              |
| Completion of Prior Year's work                | N/A                      | 12                              | 10                              | -2                             |
| Statement of Internal Control                  | N/A                      | 3                               | 3                               | 0                              |
| Follow Up on recommendations                   | N/A                      | 10                              | 12                              | 2                              |
| Fraud and Special Investigations               | N/A                      | 8                               | 10                              | 2                              |
| Advisory / Consultancy / Contingency           | N/A                      | 10                              | 10                              | 0                              |
|  |                          |                                 |                                 |                                |
| <b>TOTAL PRODUCTIVE (A ONLY)</b>               |                          | <b>266</b>                      | <b>264</b>                      |                                |
| <b>B – CHARGEABLE AND NON-PRODUCTIVE</b>       |                          |                                 |                                 |                                |
| Audit Management Meetings                      | N/A                      | 15                              | 15                              |                                |
| Corporate Meetings / Reading                   | N/A                      | 5                               | 5                               |                                |
| Annual Plans and Reports                       | N/A                      | 8                               | 8                               | 2                              |
| Audit Board support                            | N/A                      | 6                               | 8                               |                                |
| <b>TOTAL CHARGEABLE AND NON-PRODUCTIVE (B)</b> |                          | <b>34</b>                       | <b>36</b>                       | <b>2</b>                       |
| <b>TOTAL CHARGEABLE (A + B)</b>                |                          | <b>300</b>                      | <b>300</b>                      | <b>0</b>                       |

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**Potential Areas for Auditing for information/consideration**

| <b>Audit Area</b>               | <b>Source</b>            |  | <b>Planned days<br/>2013/14</b> |  |
|---------------------------------|--------------------------|--|---------------------------------|--|
| Sports and Arts Development     | Risk assessment score 30 |  | To be considered                |  |
| Insurance                       | Risk assessment score 28 |  | To be considered                |  |
| Election Services               | Risk assessment score 27 |  | To be considered                |  |
| Communications and Media        | Risk assessment score 27 |  | To be considered                |  |
| Member Development & Allowances | Risk assessment score 27 |  | To be considered                |  |
| Grounds Maintenance             | Risk assessment score 26 |  | To be considered                |  |
| Equality and Diversity          | Risk assessment score 23 |  | To be considered                |  |

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**SUMMARY OF DETAILED PROVISIONAL PLAN 2013/14**

| <b>Planned Days for 2013/14</b>                        | <b>2012/13</b> | <b>2013/14</b> |
|--|----------------|----------------|
| Core Financial Systems                                 | 49             | 48             |
| Revenues and Benefits                                  | 39             | 39             |
| Corporate Work   | 69             | 68             |
| Other Systems Audits inc follow up                     | 79             | 79             |
| Completion of prior year's work                        | 12             | 10             |
| Advisory / Consultancy inc NFI, Fraud & investigations | 18             | 20             |
|  |                |                |
| <b>Sub Total</b>                                       | <b>266</b>     | <b>264</b>     |
|  |                |                |
| Audit management meetings                              | 15             | 15             |
| Corporate meetings / reading                           | 5              | 5              |
| Annual plans and reports                               | 8              | 8              |
| Audit Board support                                    | 6              | 8              |
|  |                |                |
| <b>Sub Total</b>                                       | <b>34</b>      | <b>36</b>      |
|  |                |                |
| <b>TOTAL Audit Days</b>                                | <b>300</b>     | <b>300</b>     |



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**KEY PERFORMANCE INDICATORS 2013/14**

**APPENDIX 2**

The success or otherwise of the Internal Audit Shared Service will be measured against the following key performance indicators for 2013/14.

|   | <b>KPI</b>                                  | <b>Target</b>        | <b>Frequency of reporting</b> |
|---|---|----------------------|-------------------------------|
| 1 | % Plan delivered excluding overruns         | 90% for year         | Quarterly                     |
| 2 | Customer satisfaction surveys               | 90%<br>Good or above | Quarterly                     |
| 3 | Number of audits delivered compared to plan | 19                   | Quarterly                     |
| 4 | Annual survey of Internal Audit Service     | Good or above        | Annually                      |

The Internal Audit Self-Assessment checklist assessing compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 should also be completed at the end of the annual cycle. Any areas of partial or non-compliance with the Code should be reported as exceptions to the Client Officer Group and Audit Board.