

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

28th SEPTEMBER 2009

2009/10 to 2011/12 INTERNAL AUDIT PLAN

Responsible Portfolio Holder	Councillor Geoff Denaro
Responsible Head of Service	Head of Financial Services

1. SUMMARY

1.1 To present for approval the revised Internal Audit 3-Year Plan for the period 2009/10 to 2011/12 with the detailed Internal Audit Plan for 2009/10.

2. RECOMMENDATION

2.1 The Audit Board is recommended to consider and approve the revised Internal Audit 3-Year Plan for 2009/10 to 2011/12 with the detailed Internal Audit Plan for 2009/10, as set out in the report and appendices.

3. BACKGROUND

3.1 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 practices in relation to internal control”.

3.2 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”.

3.3 The existing plan required revising for a number of reasons:

- there was no three year plan showing how all auditable areas would be covered over a three year period;
- the list of auditable areas was very long with many areas subdivided into several parts;
- the reduction in staff numbers;
- the concern that the planned work would not be completed due, in part, to an overrun from the previous year;
- the need to address these points now rather than at the year end.

3.4 Hence, a three year plan has been produced – attached at Appendix A. It shows that all auditable areas will receive audit attention during the three year period.

As part of this process the audit risks were revised, updated and reassessed and the auditable areas were revised and reduced in number by removing the subdivisions, but adding in new areas where applicable.

- 3.5 Further, the more detailed plan for 2009/10 has been revised – attached at Appendix A. It allows time to complete the previous year's work, reduces the number of audits, and includes the bought-in management days. Otherwise the plan has been changed as little as possible as it had already been approved by this Board and because it was the basis of Internal Audit's work programme while the revision was being carried out. In addition, it should be noted that the audits taken out of the plan for 2009/10 will be covered during the next two years.

4. PLANNING PROCESS

- 4.1 Consultation into the production of the 2009/10 Internal Audit Plan began in December 2008 and involved discussions with the following:

- Executive Directors.
- Assistant Chief Executive.
- Heads of Service.

- 4.2 Internal Audit has adopted an Audit Risk Model Policy which helps guide the planning process and enables a risk based audit plan to be produced. The planning process can be summarised as follows:

- All potential auditable areas are identified using budget details, Committee minutes and reports and meetings with various Council staff.
- Each area is then allocated a risk score based on the following revised areas:
 - Value of income and expenditure.
 - Number of employees involved.
 - Impact on the Council.
 - Volume of transactions.
 - Impact of management and staff.
 - Third party sensitivity.
 - Standard of internal control.
 - Effectiveness of other assurance providers
 - Complexity of system.
 - Involvement of other organisations.
 - Risk Register entry.
 - Potential for fraud.
 - Length of time since last audit review.
- The auditable areas are then ranked in order of risk, with the highest scoring areas being given earlier and/or more audit attention in the audit plan, although it is intended to cover all auditable areas over a three year period.

- 4.3 The 2009/10 Internal Audit Plan will aid the effectiveness of the Internal Audit function and ensure that:

- Internal Audit assists the Authority in meeting its objectives by reviewing the high risk areas, systems and processes.
- Audit plan delivery is monitored on a weekly basis, appropriate action is taken and performance reports are issued on a regular basis.
- The key financial systems are reviewed annually, enabling the Authority's external auditors to place reliance on the work completed by Internal Audit.
- An opinion can be formed on the adequacy of the Authority's system of internal control, which is detailed in the annual Internal Audit Opinion report included in the statement of accounts.

5. FINANCIAL IMPLICATIONS

5.1 None outside existing budgets.

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. COUNCIL OBJECTIVES

7.1 Council Objective 02: Improvement.

8. RISK MANAGEMENT

8.1 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.

8.2 These risks are being managed as follows:

- Non-compliance with statutory requirements:

Risk Register: Financial Services

Key Objective Ref No: 3

Key Objective: Efficient and effective Internal Audit service

- Ineffective Internal Audit service:

Risk Register: Financial Services

Key Objective Ref No: 3

Key Objective: Efficient and effective Internal Audit service

- Lack of an effective internal control environment:

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

9. CUSTOMER IMPLICATIONS

9.1 No customer implications.

10. EQUALITIES AND DIVERSITY IMPLICATIONS

10.1 No equalities and diversity issues.

11. VALUE FOR MONEY IMPLICATIONS

11.1 None.

12. OTHER IMPLICATIONS

Procurement Issues: None
Personnel Implications: None
Governance/Performance Management: Effective governance process.
Community Safety including Section 17 of Crime and Disorder Act 1998: None
Policy: None
Environmental: None

13. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	No
Chief Executive	No

Executive Director (Services)	Yes
Assistant Chief Executive	Yes
Head of Service	Yes
Head of Financial Services	Yes
Head of Legal, Equalities & Democratic Services	Yes
Head of HR & Organisational Development	Yes
Corporate Procurement Team	No

14. WARDS AFFECTED

14.1 All Wards are affected.

15. APPENDICES

15.1 Appendix A – 2009/10 to 2011/12 Internal Audit 3-Year Plan & 2009/10 Revised Internal Audit Plan.

16. BACKGROUND PAPERS

16.1 None.

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