

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

15TH MARCH 2010

2010/11 INTERNAL AUDIT ANNUAL PLAN

Responsible Portfolio Holder	Geoff Denaro
Responsible Head of Service	Jayne Pickering
Key Decision / Non-Key Decision	

1. SUMMARY

1.1 To present for approval the detailed Internal Audit Plan for 2010/11.

2. RECOMMENDATION

2.1 The Audit Board is recommended to consider and approve the detailed Internal Audit Plan for 2010/11, as set out in the report and appendix.

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 A revised three year plan was approved by the Audit Board at its meeting of 28th September 2009. The purpose of the three year plan is to ensure that all of the Council’s key systems are audited at least once during three years, thus providing an assurance that the Council’s systems are operating as intended.

3.4 The annual plan for 2010/11 is the second year of this three year plan. However, it is good practice to review each year of planned work to ensure that there have not been any changes since the approval of the three year plan (e.g. in the way the Council works) that require adjustment to the annual plan.

4. PLANNING PROCESS

4.1 Consultation into the production of the 2010/11 Internal Audit Plan 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 2010/11 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.

4.4 The WETT Internal Audit Shared Service is due to come into effect on 1st June 2010, i.e. two months into the financial year covered by the plan. Hence, the plan for 2010/11 has also been compiled in accordance with the detailed business case for the IA shared service.

4.5 During the period of transition to the shared management team officers will review the plan with the team to ensure it best meets the objectives of the improvements across the Council. Any revisions to the plan will be reported to members when finalised.

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 INCLUDING HEALTH & SAFETY CONSIDERATIONS

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. CLIMATE CHANGE AND CARBON IMPLICATIONS

12.1 None.

13. OTHER IMPLICATIONS

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

14. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Joint Chief Executive	Yes – At CMT
Executive Director - Partnerships and Projects	Yes – At CMT
Executive Director - Services	Yes – At CMT

Assistant Chief Executive	Yes – At CMT
Head of Service	Yes – At CMT
Head of Financial Services	Yes – At CMT
Head of Legal, Equalities & Democratic Services	Yes – At CMT
Head of Organisational Development & HR	Yes – At CMT
Corporate Procurement Team	

15. WARDS AFFECTED

15.1 All wards are affected

16. APPENDICES

Appendix 1 2010/11 Internal Audit Annual Plan

17. BACKGROUND PAPERS

17.1 Internal Audit Three Year Plan as approved by the Audit Board at its meeting of 28th September 2010.

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