

AUDIT & RISK COMMITTEE

22nd MARCH 2011

ANNUAL AUDIT PLAN 2011/12

REPORT OF THE HEAD OF WELLAND INTERNAL AUDIT CONSORTIUM

Corporate Aim:	A well managed organisation
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1) **PURPOSE OF THE REPORT**

- 1.1 To comply with the CIPFA Code of Practice for Internal Audit by providing the Audit and Risk Committee with the opportunity to approve the Annual Audit Plan produced by the Council's Chief Internal Auditor.

2) **RECOMMENDATIONS**

- 2.1 **That the Committee approve the Annual Audit Plan set out in Appendix A**

3) **INTRODUCTION**

- 3.1 The Consortium is required to operate – as far as is practicable - in line with the standards and guidance issued by CIPFA and endorsed by the Audit Commission: to do otherwise carries the risk that external audit will reduce the reliance placed on the Consortium's assurance work. CIPFA guidance requires internal auditors to adopt a risk-based audit planning process because such an approach provides assurance about the client's most significant areas of risk.
- 3.2 A risk-based planning approach requires audit management to identify all aspects of the Council's operations and controls for which assurance is required; to develop an appropriate range of audit entities around which the delivery of assurance might be managed; and to establish an objective framework to measure the relative risks associated with each of the identified audit entities.
- 3.3 In a pure risk-based audit plan, the entities selected for audit would be those with the highest assessed risk scores. However, to reflect the specific requirement to provide the External Auditor with assurance about the Council's Fundamental Financial Systems and wider governance arrangements it is necessary to stratify the Annual Audit Plan to provide the necessary range of assurance. It is also judged desirable to extend this approach to ensure that some level of assurance could be provided for all categories of audit entity.

- 3.4 The recently completed restructuring of the Council's management structure has required revisions in the schedule of entities requiring audit. The earlier decision to reduce the budget for internal audit made it necessary to consider where efficiencies might be achieved by merging some existing entities. The limited time for which members of the Leadership Team have been in post has meant that the identification of new entities – particularly those associated with Customer Facing Services – was not definitive: it is anticipated that consultation with relevant managers will allow for improved planning in future years.
- 3.5 The Council's restructuring had a material impact on the capacity of service managers and finance staff to support planned audit work: it proved impossible to deliver the bulk of the 2010/11 Plan. While it is practical to roll forward non-financial audits, into future years, the Council's External Auditor expects to receive assurance about the Fundamental Financial Systems and the Committee has made clear its own expectations about planned work relating to Catmose Campus.

4) **DEVELOPMENT OF THE 2011/12 PLAN**

- 4.1 The Council has commissioned a total of 370 audit days for 2011/12 and future years. In preparing the Plan for 2011/12, it has been estimated that 75 days will be required to:
- Deliver outstanding elements of the 2010/11 Plan as referred to above; and
 - Meet predictable requirements for non-audit activity (as indicated in Appendix B).

This leaves 295 days for planned audit work which has been allocated between the different classes of audit as indicated in Table 1 below. The key issues relating to those allocations are set out below.

Table 1	
Allocation of Planned Audit Days	
Fundamental Financial Systems	140
Other Financial Systems	30
ICT	35
Counter-Fraud Arrangements	25
Governance & Performance	50
Customer Facing Services	15
Total	295

- 4.2 The number of days allocated to Fundamental Financial Systems is higher than normal. This is to allow full documentation of the control framework post-Agresso Implementation and sufficient work to provide assurance that control issues identified during the implementation process have been addressed fully and effectively.

- 4.3 Members should be aware that, following a decision to cease relying on outsourced specialist support, assurance on the Council's ICT control arrangements will derive primarily from the work of the Consortium's auditors. In 2011/12 planned audits reflect the Consortium's current level of specialist skills. Some additional assurance should be available from periodic reviews of the Council's GovConnect arrangements that are commissioned directly by IT.
- 4.4 Counter-Fraud work has been identified separately for the first time: this reflects recent data on the impact of fraud in the public sector. In 2011/12 it is anticipated that the Council's new Counter Fraud Strategy will be rolled out. Prior to that, a short audit exercise will be carried out to give assurance that the draft Strategy remains current: the subsequent roll-out will be supported by fraud awareness training, using material developed and used at another Welland site.
- 4.5 Time allocated to Governance and Performance and to Customer Facing Services has been restricted to reflect the capacity available in those areas to support audits during 2011/12.

5) **RISK MANAGEMENT**

RISK	IMPACT	COMMENTS
Time	Low	No time critical issues arise from this report
Viability	Low	The report does not raise any specific issues
Finance	Low	No financial issues are considered
Profile	Low	No controversial issues are raised
Equality & Diversity	Low	EIA screening indicates no issues arising therefore full Impact Assessment has not been carried out.

Background Papers
None

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