



Internal Audit

Audit Plan 2010-11

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INTERNAL AUDIT

Audit Plan 2010-11

Introduction

1. Internal Audit is an assurance function that must provide an independent and objective opinion to the Council on its control environment each year. The internal audit opinion represents an important element of assurance to inform the Annual Governance Statement which the Council must publish each year with its accounts. In order to provide maximum benefit to the Council, Internal Audit needs to work in partnership with management to help improve the overall control environment, and thus help the Council achieve its objectives. The Council must therefore ensure that it maintains an adequate and effective system of internal audit throughout the year, in accordance with proper practices.
2. This means that internal audit must operate in a manner which meets the requirements of the Code of Practice for Internal Audit in Local Government. The starting point for internal audit work is the setting of an audit plan at the beginning of each operational year. The plan must incorporate sufficient work to enable the Head of Internal Audit to give an opinion on the adequacy of the overall control environment, comprising the systems of governance, risk management, and internal control. Internal Audit must therefore have sufficient resources to deliver the audit plan.
3. The purpose of this report is to present management and members with our audit plan for 2010-11, with regard to the following:
 - The audit planning process, incorporating risk-based planning, departmental and corporate governance functions, and external audit liaison
 - significant issues influencing priorities for the audit plan
 - a summary of our available audit resources, and where these will be employed over the operational year.

The audit planning process

Risk-based audit planning

4. The Code of Practice for Internal Audit requires us to prepare a risk-based audit plan linked to the Council's risk management process and the risk information which this generates. This means we must have full regard to the various risks identified across the whole range of Council services and activities, and plan our work in order to address those risks and the controls in place to mitigate them.

5. The risk information we have taken into account has come from various sources. Principally, we have sought to link the planning of our work to address the main risks identified in the Council's risk registers at both a corporate and service level.
6. We have supplemented this through a range of consultations with service directors and service managers across all departments. We have also drawn upon our own knowledge and experience built up from the findings of previous audit work, in particular from those audits undertaken during the first year of Wiltshire Council's operation. We have then brought together this information to determine priorities for audit work, and incorporated these into our planned work for service departments. The evidence from this work should serve to inform our opinion on internal control.

Departmental and corporate governance functions

7. In order to widen our overall sources of assurance, in addition to our risk-based audits for service departments, we have identified the need to gain assurances regarding the operation of departmental and corporate governance processes. For each department we will therefore continue to review aspects of their internal governance arrangements put in place to ensure compliance with corporate policies and procedures.
8. Furthermore, in order to ensure a sufficiently broad coverage of the Council's control environment, we have earmarked those key corporate functions operating across the whole authority, on which we need to carry out overall assurance work. These are:
 - Corporate governance
 - Risk management
 - Financial management
 - Performance management
 - IT and information management
 - HR management
 - Procurement and contract management.
9. Taken together with risk-based departmental audit work, the review of these over-arching functions will provide a broad range of assurances for management and members in support of our overall audit opinion.

External Audit liaison

10. As in previous years, the Council's external auditors, KPMG, will continue their aim of placing reliance on our work in a number of areas, and thereby ensuring the most benefit is obtained from the combined audit resources, thus avoiding wasteful duplication of work. In planning our own work we will therefore aim to continue working in accordance with the Joint Audit Working Protocol, insofar as this is consistent with our risk-based approach.

11. The Protocol covers a range of key systems and controls which are integral to producing the Council's final accounts, and we have included work on these within our audit plan. Throughout this we will aim to ensure that External Audit has sufficient evidence to place full reliance on our work.

Significant Issues for 2010-11

12. The tables shown in the following pages set out our audit plans in respect of the following:
 - risk-based departmental audits
 - over-arching corporate reviews
 - departmental and corporate governance audit work.
13. These plans amount to some 2,470 productive audit days overall, and in addition we have incorporated a contingency of 280 days to cover reactive work which we will be called upon to undertake during the year, in response to client requests and the need to carry out investigations.

Operation of financial systems following the implementation of SAP

14. The implementation of the new SAP system on 1 April 2009 brought about a fundamental change in the operation of the Council's main financial systems, covering the main ledger, payroll, accounts payable and receivable, HR and procurement functions across the whole of the authority. This represented a very significant period of transition for the new Council, in addition to having to cope with the demands of a major reorganisation of five councils into one.
15. Experiences over the first year of operations under SAP have shown that it requires considerable time and effort in order to put in place proper processes and controls, and to ensure these become embedded and working properly on a day to day basis. Our audit work in these areas during 2009-10 confirmed that whilst progress was being made, particularly over the closing months of the financial year, the full establishment of proper control processes was still a matter of work in progress at the end of the year.
16. Our work on financial systems for 2010-11 will therefore be given added emphasis to ensure that progress is maintained and financial control processes become fully established to a good overall standard. This work will incorporate those functions operating within SAP, and also those important financial systems which operate outside but then must feed into SAP. These include the Council's revenues and benefits systems which continue to operate under the 'legacy' systems of the former district councils.

Anti-fraud and corruption work

17. The transition to Wiltshire Council brought with it a widening of the range of activities open to the potential risk of fraud and corruption. This took place alongside an increased national awareness of fraud risk, which included the publication of high profile national reports and guidance from the National Fraud Agency, CIPFA and the Audit Commission.

18. Following an updating and relaunch of the Council's Anti-Fraud and Corruption Policy, we will work to ensure that fraud risk awareness is maintained across the authority, and that safeguards are therefore maximised. We have also identified a series of specific areas we feel are exposed to the risk of fraud, and will carry out proactive reviews to test the application of robust controls in these important areas.
19. In addition, during the year the Council will be required to participate in the latest round of the National Fraud Initiative, the Audit Commission's nationwide data matching exercise. We will ensure the required data is made available for this, and will subsequently organise the investigation of data matches when output becomes available during the final quarter of the year.

Management actions in response to Audit Reports

20. An important element of an effective internal audit function is a concern for action, to ensure that management is responding adequately to risks and issues raised in audit reports, and is taking appropriate measures to manage them properly. We will therefore include within our work for 2010-11, an enhanced process of follow-up of previous audit reports, in order to gain sufficient specific assurance that management has acted upon its undertakings, and implemented the measures which it previously agreed to.
21. We will provide regular assurance of management actions to the Audit Committee, by including within each quarterly progress report a section on follow-up of specific audit reports and management actions subsequently implemented.

Reporting the results of Audit work

22. Each audit will result in an audit report to management, which will include an audit opinion on the overall level of assurance gained from the audit, and will identify specific risks and issues arising. It will also incorporate management's response and an agreed plan of action to manage and mitigate risks. Each audit report will then form the basis for subsequent audit follow-up work.
23. We will also report overall progress against the audit plan regularly to the Audit Committee throughout the year. These reports will summarise the results of audits completed during the review period, and highlight significant issues which need to be brought to members' attention. We will also summarise the results of all our work in our Annual Report, which will incorporate the audit opinion on the adequacy and effectiveness of the Council's control environment. This will provide an important source of assurance for the Annual Governance Statement.

Internal Audit Plan 2010-11**Children and Education****225 days**

To include:

Vulnerable Children
Children's Social Care
Special Needs
Sure Start
Youth Development
Connexions
Contact Point

Schools**250 days**

To include:

FMSiS Assessments and
Reassessments
Risk-Based Audits

Community Services**275 days**

To include:

Adult Care Placements
Vulnerable Adults
Individual Budgets
Domiciliary Care
Community Equipment
FAB Team
Commissioning & Procurement
Partnerships

Neighbourhood and Planning**500 days**

To include:

Highways
Waste Management
Passenger Transport
Leisure
Car Parking
Fleet Services

Internal Audit Plan 2010-11**Neighbourhood and Planning (cont)**

Housing Services:
Rents
Waiting List & Void
Management
Gas Servicing
Economy and Enterprise
Development Management

Corporate & Cross-cutting Reviews **570 days**

To include:

Corporate Financial Systems
External Audit Reliance Work
Revenues and Benefits
Anti-Fraud & Corruption (inc NFI)
Strategic Property
Capital

Departmental & Corporate Governance **650 days**

To include:

Corporate Governance (Audit
Committee, Assurance Process,
Annual Governance Statement)
Departmental Governance
Arrangements
Risk Management
Financial Management
Performance Management
Information Management
HR Management
Procurement & Contract
Management