

**FINAL ACCOUNTS AND AUDIT COMMITTEE**

**28 JUNE 2007**

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**INTERNAL AUDIT PLAN 2007-08**

**Purpose of the Report**

1. To present the Internal Audit Plan for 2007-08 to the Final Accounts and Audit Committee.

**Background**

2. The Code of Practice for Internal Audit in Local Government, issued by CIPFA, represents mandatory proper practice for the internal audit of public sector bodies. This incorporates the need for Internal Audit to prepare a risk-based audit plan linked to the County Council's risk management process. Internal Audit must have regard to the various risks involved across the range of services and activities, and plan its work in order to address those risks and the controls in place to mitigate them
3. The Final Accounts and Audit Committee terms of reference include responsibility for agreeing the annual Internal Audit Plan, and considering the resources available for its delivery.

**Main Considerations**

4. To approve the content of the Internal Audit Plan for 2007-08 (attached as Appendices to this report), with particular regard to the following:
  - risk-based audit planning and risk information sources taken into account in preparing the plan
  - a summary of available audit resources, and where these will be employed over the operational year up to 31 March 2008.

The plan has been circulated to Chief Officers and their comments taken into account.

**Environmental Impact of the Proposal**

5. No environmental impact arises from issues raised in this report.

### **Financial Implications**

6. There are no additional costs arising from this proposal.

### **Reasons for the Proposal**

7. To present the Internal Audit Plan 2007-08 to the Final Accounts and Audit Committee.

### **Proposal**

8. The Final Accounts and Audit Committee is asked to approve the Internal Audit Plan for 2007-08, and in particular note:
- risk-based audit planning and risk information sources taken into account in preparing the plan
  - a summary of available audit resources, and where these will be employed over the operational year up to 31 March 2008.
9. Progress against the plan will be reported regularly to the Committee throughout the year.

**Sandra Schofield**  
**Chief Financial Officer**

Report author: Steve Memmott, Chief Auditor

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Unpublished documents relied upon in the preparation of this Report:

None

## APPENDIX



### Internal Audit

#### Draft Audit Plan 2007-08

#### Contents:

##### *Introduction*

##### *The audit planning process for 2007-08*

- *Risk- based audit planning*
- *Consultation*
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##### *Audit Resources*

##### *Departmental Audit Plans for 2007-08*

##### *Appendix A: Internal Audit Structure*

##### *Appendix B: Departmental Audit Plans*

##### *Appendix C: Internal Audit Days 2005-06 to 2007-08*

Chief Auditor: Steve Memmott

Date of Report: April 2007



## INTERNAL AUDIT

### Audit Plan 2007-08

#### **Introduction**

1. Internal Audit's purpose is to provide an independent and objective opinion to the County Council on its control environment. In so doing, it provides an important element of assurance to inform the Statement on Internal Control which the Council must publish each year with its accounts. The County Council must therefore maintain an adequate and effective system of internal audit throughout the year, in accordance with proper practices.
2. This effectively means that internal audit must be carried out in a manner which meets the requirements of the Code of Practice for Internal Audit in Local Government, issued by CIPFA. This incorporates the need for internal audit to have adequate resources to meet its objectives and comply with the Code of Practice. The starting point for internal audit work is the setting of a risk-based audit plan at the beginning of each operational year.
3. The purpose of this report is to inform officers and members regarding our audit planning process and its outcomes, with particular regard to the following:
  - risk-based audit planning and risk information sources we have taken into account in preparing our audit plan
  - a summary of our available audit resources, and where these will be employed over the operational year up to 31 March 2008.

#### **The audit planning process for 2007-08**

##### ***Risk-based audit planning***

4. The Code of Practice for Internal Audit requires us to prepare a risk-based audit plan linked to the County Council's risk management process. This means we must have regard to the various risks involved across the range of 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, including the following:

- the County Council's risk register, which has been set up as part of its process of risk management
- service plans for all the County Council's service areas, each of which must include an assessment of risks facing the delivery of the service
- discussions with key officers in all departments, who have their own perspective on the risks their services and activities face
- our own knowledge and experience built up from the findings of our previous audit work.

6. We have used these information sources to build up a comprehensive picture of systems and activities which could be included in our potential audit plan. We have then sought to determine their relative priorities for audit, taking into account factors such as:
  - the size of the risk
  - the likelihood that the risk will materialise
  - the impact of the consequences if the risk does materialise.

### **Consultation**

7. This process has enabled us to produce a draft risk-based audit plan for each department, which will be kept under review during the course of the year to identify any updating needed to reflect changing priorities and emerging risks. We will discuss and agree with the department concerned, any proposed changes to our Audit Plan before putting them into practice.

### **External Audit liaison**

8. Our external auditors, the Audit Commission look to place reliance on our work in a number of areas, and thereby maximise the benefit derived from our combined audit effort. An area of particular significance for the Audit Commission comprises those systems which contribute to the production of the County Council's final accounts.
9. Some of these systems have been identified and included in our risk-based audit plans. In carrying out our audits on these systems therefore, we will seek to ensure that our external auditors from the Audit Commission have sufficient evidence to place reliance on our work, to the extent to which this is consistent with our risk-based approach.

### **Audit Resources**

10. The current structure of Internal Audit is shown in Appendix A. This gives a total of 11.5 full-time equivalent staff members, which it is estimated will deliver 2,050 productive audit days over the course of 2007-08. Achieving this target for productive days will depend upon successful recruitment to ensure posts remain filled throughout the year.
11. From this total of 2,050 productive audit days, we must first meet the essential audits needed on core financial systems, on which the Audit Commission will place reliance. This will amount to 160 days of audit work, reducing the available productive days to 1,890. Failure to do this core systems work will mean the Audit Commission's auditors carrying out more work on those systems, resulting in an additional charge for external audit, at a daily rate considerably higher than our own.
12. In summary, our available productive days of 1,890 will need to be applied to the general categories of work as set out in the following table, in order to provide a sufficiently broad range of evidence to support our overall opinion on internal control.

<b>Productive Audit Days Available</b>		<b>1,890</b>
These will be allocated to:		
<b>1. First Priority High Risk Audits</b>		
Governance & Internal Control (incl SIC, FA & Audit Cttee, Fraud etc)	120	
Corporate Projects (One Council, LAA etc)	70	
Contracts & Contract Management	105	
Partnerships	95	
Procurement	40	
ICT – Developments & Security	50	
DCS (Way Ahead Group Support, Home Care, and Care First)	110	
DCE (Vulnerable Children, Early Years, and Special Needs	75	
ESD (Waste, Highways, and Property)	60	
Schools (FMSiS Assessments & Risk-based audits)	430	
Follow-up Audits	125	1,280
<b>2. Remaining Required Audits</b>		<b>610</b>
Allocated to Second Priority Medium Risk Audits, Reactive/Requested Audits, and Audit Planning & Management		
		<b>1,890</b>

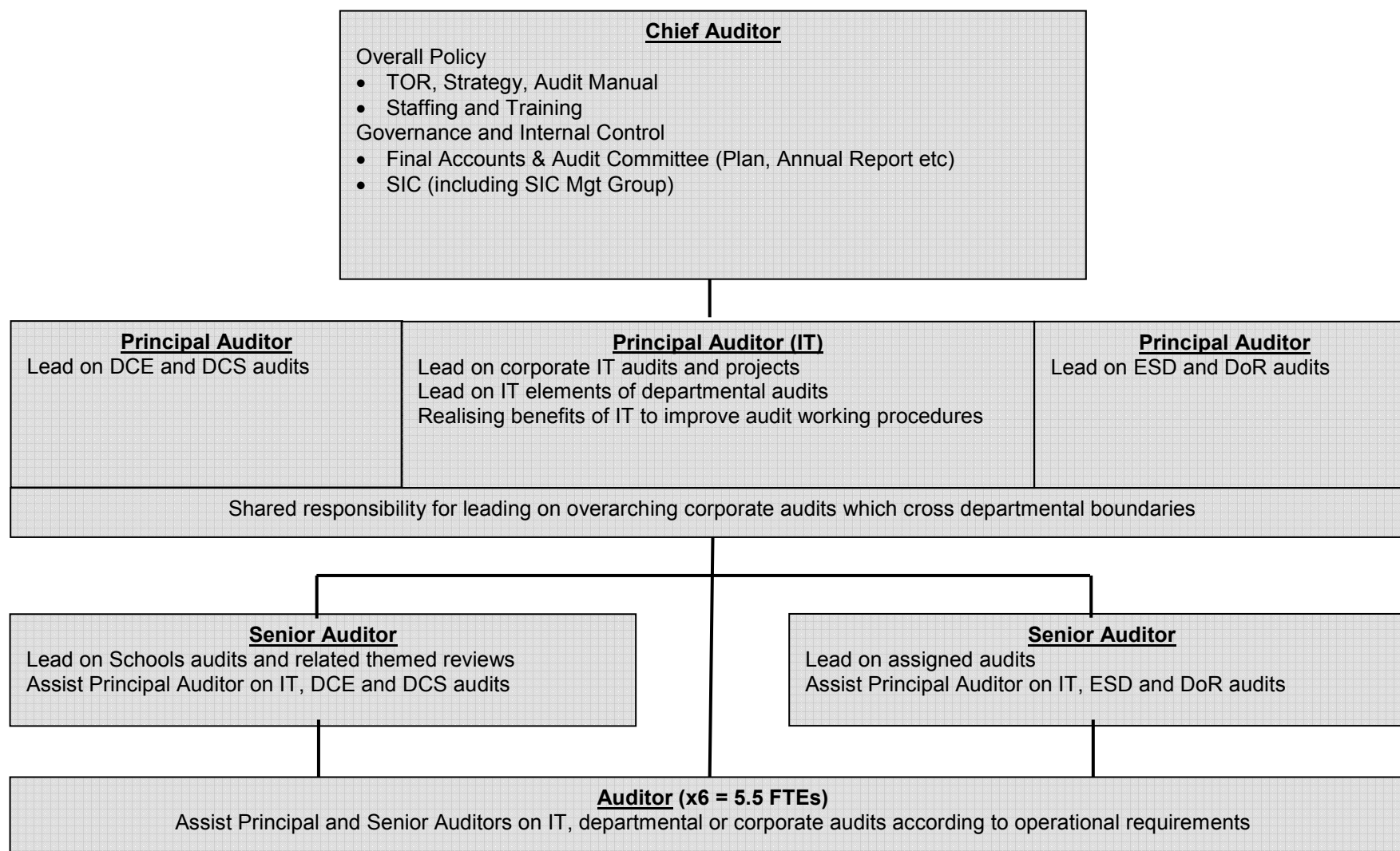
### **Departmental Audit Plans for 2007-08**

13. The tables shown in Appendix B set out in more detail our Audit Plans for each client department for 2007-08. In addition, in order to provide some flexibility, they include an element of contingency to accommodate audits which will inevitably arise during they year, but which cannot reasonably be foreseen at the outset.
14. In order to complete the overall picture of where internal audit resources will be needed, we have also included a separate table headed 'Corporate and Central Management', which shows those aspects of our work which are corporate in nature, and are not therefore attributable only to specific departments. These include our involvement in relation to furthering corporate governance and internal control arrangements, and to current corporate projects and developments.
15. Appendix C provides a comparison of how audit days have been allocated across departments and corporate topics over the past three years, in order to reflect developments and changing priorities.



16. For the coming year, current developments to note within our Audit Plan are as set out below:
- We have included within our schools plan a significant element of work on external assessments for the Financial Management Standard in Schools (FMSiS). Schools have been informed that Internal Audit is the preferred provider of external assessments, with staff specifically trained for the purpose, and the level of charge we make for this work makes it cost-effective both for ourselves and the schools concerned. In addition, this will make a significant contribution to improving the standard of financial management across Wiltshire schools generally.
  - Within each departmental audit plan is a specific allocation for follow-up audits. This is to strengthen our work in ensuring that recommendations from previous audits are implemented, and that procedures and controls have been improved as a result.
  - Our programme of corporate audit work has been increased for 2007-08, one significant element of which is the specific allocation for counter fraud and corruption work. This is in order to carry out a formal risk assessment and then to review those areas identified as potentially susceptible to fraud. This work will contribute to the strengthening of the County Council's overall management arrangements for countering fraud and corruption. It will also help the Council meet the requirements of the Audit Commission's Use of Resources assessment, which is now placing increasing importance on the need to have adequate counter fraud and corruption measures in place.
17. In accordance with our established practice, before starting each audit within the Plan, we will agree terms of reference setting out specifically what the audit will cover, and a timetable for carrying out the work and reporting. Each audit will then be the subject of a separate report for the relevant client department.
18. We will also report regularly to the Final Accounts and Audit Committee throughout the year, in order to inform members with regard to the following:
- The agreed Audit Plan for the year
  - The Internal Audit Annual Report, incorporating the audit opinion on the adequacy and effectiveness of the County Council's control environment. This will also provide an important source of assurance for the Statement on Internal Control
  - Interim progress reports in completing the Audit Plan, in order to address significant emerging issues which need to be brought to members' attention.
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## INTERNAL AUDIT STRUCTURE



**APPENDIX B****Internal Audit Plan 2007-08****Department for Children and Education**

<b>Activity/System</b>	<b>Provisional Days</b>
Vulnerable Children:	40
Child Care Placements	
Child Protection	
Early Years:	20
Extended Schools	
Special Needs	15
Lifelong Learning	20
Youth Development	15
Partnerships:	25
Childrens' Trust Board	
School Funding and Financial Regime	25
Capital Projects:	25
Schools	
Other	
Establishments (other than schools)	15
Core Systems:	40
Payroll/HR	
Creditors	
Budget management	
Follow-up Audits	30
<b>Requested Audits and Advice</b>	
Reactive work, General advice, & Contingency	30
<b>Total</b>	<b><u>300</u></b>
<b>Schools Audit Work:</b>	
FMSiS External Assessment Visits	330
Risk-based Visits & Themed Reviews	180
Schools - Planning and Development	30
<b>Total</b>	<b><u>540</u></b>

## Internal Audit Plan 2007-08

### Department of Community Services

<b>Activity/System</b>	<b>Provisional Days</b>
Way Ahead Group Support:	70
Recovery Programme (various reviews)	
Home Care	20
Community Safety:	20
DAAT	
Direct Payments	15
Contracts & Contract Management:	25
Control Procedures	
Payments to Providers	
Partnerships:	20
Working with NHS Bodies	
Safer Wiltshire	
Libraries	20
Establishments:	30
Resource & Activity Centres	
Respite Units	
Day Centres	
Care First	20
Core Systems:	40
Payroll/HR	
Creditors	
Budget Management	
Follow-up Audits	35
<b>Requested Audits and Advice</b>	
Reactive work, General advice, & Contingency	35
<b>Total</b>	<b>350</b>

## Internal Audit Plan 2007-08

### Environmental Services Department

Activity/System	Provisional Days
Waste:	20
Minimisation and recycling	
Highways:	20
Quality and performance	
Property:	20
Waterside project	
Hub Strategy - Salisbury	
Depot Strategy	
Planning:	10
Regional Planning links	
Transport:	20
Supported Transport Network	
Trading Standards:	10
Support Services	10
Contracts:	50
Waste	
Highways	
Property	
Transport	
Partnerships:	20
Waste	
Highways Street Scene	
Planning & Development Control	
Trad Standards & Env Health	
Follow-up Audits	25
<b>Requested Audits and Advice</b>	
Reactive work, General advice, & Contingency	25
<b>Total</b>	<b>230</b>

## Internal Audit Plan 2007-08

### Department of Resources

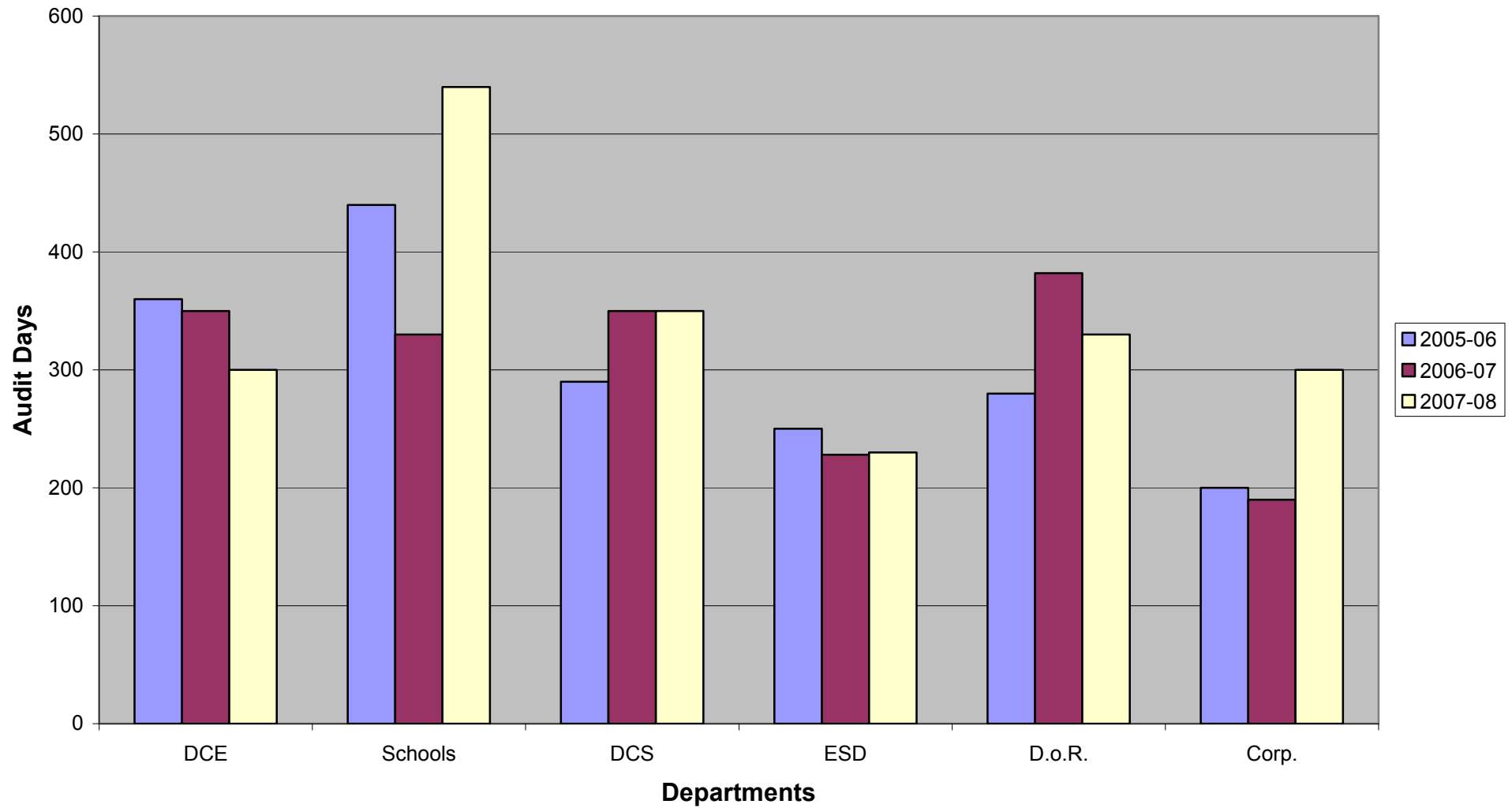
Activity/System	Provisional Days
Performance & Risk:	20
Corporate Performance and Risk Management	
Finance:	80
Core audits – Payroll, Creditors, Debtors & Main Accounting Systems	
Budgetary Control & Pensions	
Loans & Investments	
Medium Term Financial Planning	
Procurement:	40
Strategy, policy, performance & cost savings	
Information distribution, web-site & “Schoolquote”	
ICT:	50
Business Management System	
IT Security	
Corporate Services:	30
Business Transformation, Statutory & Support	
Communication & Customer Care	
HR Policies & Procedures	
Contracts:	30
IT contract (Steria etc)	
Mobile phones - Vodafone	
Partnerships:	10
Links with corporate contracts	
Follow-up Audits	35
<b>Requested Audits and Advice</b>	
Reactive work, General advice, & Contingency	35
<b>Total</b>	<b>330</b>

## Internal Audit Plan 2007-08

### Corporate and Central Management

	Provisional Days
<b>Governance, Overall Planning and Management</b>	
Governance and Internal Control (including SIC, CPA Use of Resources, and Final Accounts & Audit Cttee)	50
Fraud and Corruption	50
Partnerships (governance)	20
Audit Commission Liaison	5
Performance Measurement & Benchmarking	5
LPSA/PI Data Quality Assurance	20
Audit Planning	20
Audit Management	30
<b>Corporate Projects</b>	
LGR (One Council for Wiltshire)	20
Pay Reform	20
Local Area Agreement	30
<b>Requested Audits and Advice</b>	
Reactive work, General advice, & Contingency	30
<b>Total</b>	<b>300</b>

### Appendix C - Internal Audit Days 2005-6 to 2007-08





## Internal Audit

### Use of Resources - Audit

Days

D.o.R = Finance and IT and Corporate and Library Services

	2005-06	2006-07	2007-08
DCE	360	350	300
Schools	440	330	540
DCS	290	350	350
ESD	250	228	230
D.o.R.	280	382	330
Corp.	200	190	300