



# Internal Audit

## Audit Plan 2011-12

**Contents:**

- Role of Internal Audit*
- Purpose of the Audit Plan*
- Risk-based Audit Planning*
- The Detailed Audit Plan 2011-12*
- Significant Issues Influencing the Audit Plan*
- Reporting the Results of Audit Work*
- Appendix 1: Audit Plan 2011-12  
Productive Work*

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## **INTERNAL AUDIT**

### **Audit Plan 2011-12**

#### **Role of Internal Audit**

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.
2. In order to provide maximum benefit and add value to the business of 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 set out in its Business Plan 2011- 2015. The Council must therefore ensure that it maintains an adequate and effective internal audit function throughout the year, in accordance with proper practices. 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.

#### **Purpose of the Audit Plan**

3. The starting point for internal audit work is the setting of a risk-based audit plan at the beginning of each operational year. The plan is needed in order to ensure that internal audit undertakes a broad range of audit work, risk-focussed, sufficient to give an evidence-based opinion on the adequacy of the overall control environment, which comprises the systems of governance, risk management, and internal control. Internal Audit must therefore have sufficient resources to deliver the audit plan.
4. This report presents management and members with our audit plan for 2011-12, with specific reference to the following:
  - Risk-based audit planning
  - Relevant factors and significant issues influencing the audit plan
  - A detailed schedule of individual audits comprising the plan, and the rationale for their inclusion in the plan.

#### **Risk-based Audit Planning**

5. We must prepare a risk-based audit plan linked as far as practicable to the Council's risk management process and the risk information which this generates. This means we need to 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.

6. The risk information we have taken into account has come from various sources. In the first instance, 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.
7. We have supplemented this through a range of consultations with directors and senior management. We have also drawn upon our own knowledge and experience built up from the findings of previous audit work carried out during the first two years of Wiltshire Council's operation.
8. This range of information and intelligence has been brought together to determine priorities for our audit work, the evidence from which should then serve to inform our opinion on internal control.

### **The Detailed Audit Plan 2011-12**

9. Appendix 1 sets out our detailed audit plan of productive work for 2011-12, incorporating the following:
  - Individual audit reviews
  - Estimated days for each audit
  - What the audit work will include and why.
10. The plan amounts to an estimated requirement of 2,220 productive audit days overall. This includes an element for contingency work ie. reactive work which cannot be foreseen at the planning stage, but which we will inevitably be called upon to undertake during the year. This work is covered in the plan under 'Investigations' and 'Consultancy'.
11. In order to deliver the plan fully it is assumed that adequate resources will be available for internal audit, in accordance with the proposals for the restructuring of the service for 2011-12. This provides for a total of 13.8 full-time equivalent audit staff, which should deliver productive audit days in accordance with the following table:

<b>Total available days (13.8 FTEs x 261)</b>	<b>3,602</b>
Less:	
Annual leave	377
Bank Holidays	140
Sick leave	98
Training, learning and development	250
Professional Audit Groups	30
General management, service development and transition	345
General administration	112
<b>Available productive days</b>	<b>2,250</b>

12. Further factors relevant to the preparation of the plan are as follows:
- Estimated days for each audit review must be regarded as provisional at this stage, and may be subject to change in accordance with need as the audit work progresses
  - Work proposed for each audit has been based on risks identified in relation to each service or activity from current knowledge and information available to us at the planning stage. Other risks may emerge during the course of the year which we will have regard to in carrying out our work. The scope and extent of each audit will be agreed in greater detail with the audit client immediately before the work gets underway.
13. In order to ensure our work as a whole remains focussed on priority areas, the overall plan must be regarded as necessarily flexible and subject to change as new risks and issues emerge during the year.

### **Significant Issues Influencing the Audit Plan**

#### ***Management and Staffing Reductions, and Reduced Government Funding***

14. In order to meet the significant challenges posed by the present financial situation throughout the whole of the public sector, the Council is currently undergoing unprecedented reductions in its management and staffing resources across all services. This process began in 2010-11 and will continue throughout 2011-12.
15. From an audit perspective, widespread staffing reductions pose a potential risk to maintaining adequate levels of control within day to day systems and procedures, since many of the people who previously performed those control functions are no longer there. Whether all controls have been maintained and suitably absorbed into revised working procedures remains to be seen, but this is nevertheless a concern for audit, and one on which we must seek assurance through our audit work.
16. We have therefore included in our plan a specific high level audit to review this matter across the Council, but in addition to that, all our audits throughout the year must be mindful of this risk of weakening the control environment, when methods of service delivery have to be changed in response to significantly reduced funding and resources generally.

#### ***The Council's Business Plan 2011- 2015***

17. In its Business Plan for the next four years the Council has recognised the need for cost reductions and for service delivery changes to meet corporate goals with reduced resources. The Business Plan earmarks those key areas where cost reductions are needed and how these will be achieved, along with the benefits and outcomes to be delivered across key services.

18. We aim to ensure that our audit work adds value to the business of the Council as a whole. Therefore, with this in mind the specific areas and services we have earmarked for review in our audit plan include those which feature prominently in the Business Plan. These are:

- Cost Reduction Areas:
  - Procurement – Purchasing of Goods and Services
  - Workplace Transformation and Asset Management
  - Service Transformation (Systems Thinking)
  
- Benefits and Outcomes:
  - Services for Older People
  - Looked-after Children
  - Waste
  - Carbon Emissions
  - Affordable Housing
  - Schools
  
- Raising Income:
  - Car Parks

19. By addressing these key areas we are looking to focus our audit resources on corporate priorities, where a sound control environment is important to help ensure successful delivery of the Business Plan.

### **Reporting the results of Audit work**

20. 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 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.
21. We will also report overall progress against the audit plan regularly to the Audit Committee throughout the year. These progress reports will summarise the following:
- The results of audits completed during the review period, highlighting significant risks and issues which need to be brought to members' attention
  - An assessment of management's performance in implementing agreed actions in response to previous audit reports.
22. We will report the results of all our work for the year 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.

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