

## AGENDA ITEM NO 6

### WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE  
TUESDAY 27<sup>TH</sup> MARCH 2007

#### Internal Audit - Annual Audit Plan 2007-2008

<b>AN OPEN ITEM</b>	
<b>COMMUNITY STRATEGY THEME</b>	
<b>CORPORATE THEME:</b>	Improving Corporacy & Performance
<b>KEY PRIORITY:</b>	Financial and Asset Management
<b>STRATEGY:</b>	Audit resource
<b>CABINET MEMBER:</b>	Councillor John-Paul Campion
<b>RESPONSIBLE OFFICER:</b>	Financial Services Manager
<b>CONTACT OFFICER:</b>	Joan Hill Extension No. 2102 Joan.hill@wyreforestdc.gov.uk
<b>APPENDIX</b>	Appendix 1 - Annual Audit Plan 2007 – 2008 Appendix 2 – Compliance with CIPFA Code of Practice Standard 7

#### **1. PURPOSE OF REPORT**

- 1.1 To inform members of the Internal Audit – Annual Audit Plan 2007 – 2008.

#### **2. RECOMMENDATION**

The Audit Committee is asked to **RECOMMEND** to the Cabinet:

- Approval be given to the Internal Audit –Annual Audit Plan 2007 – 2008, attached as Appendix 1 to the report
- Approval be given for the Financial Services Manager to amend the plan in light of developments arising during the year as described in paragraph 3.7 of this report and in accordance with paragraph 3.3 (b) of the approved Terms of Reference for Internal Audit .

#### **3. BACKGROUND**

- 3.1 The management of the authority are obliged to safeguard and use public funds in a way which provides value for money/ best value. An effective internal audit service is vital in helping management to meet

these important duties, as an independent appraisal function for the review of the Council's internal control system.

- 3.2 The Internal Audit section operates in accordance with Chartered Institute of Finance and Accountancy (CIPFA) professional standards and guidelines outlined in the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. This document defines:

**“Internal Audit** is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.”

And adds:

“The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. **Internal Audit** plays a vital part in advising the organisation that these arrangements are in place and operating properly ... The organisation’s response to internal audit activity should lead to the strengthening of the control environment and therefore contribute to the achievement of the organisation’s objectives”.

- 3.3 The role played by Internal Audit is key in **assessing the internal controls** in operation and **making recommendations** for improvement working in partnership **with management**. Further the role assists in working with managers to the Council’s corporate plan striving for continuous improvement.
- 3.4 The CIPFA Code of Practice set out the definitions and principles (the **standards**) which establish how a professional internal audit service should operate in the modern local government context. The code requires compliance with 11 standards. The one relevant to this report is **Standard 7** which relates to **Audit Strategy & Planning**. A schedule detailing how this standard is being complied with is attached at Appendix 2.
- 3.5 As part of the Council's Business planning process the Internal Audit section documents how it contributes to the Council’s objectives in the Financial Services Divisional Business plan.
- 3.6 Cabinet at its meeting on the 30<sup>th</sup> March 2006 recommended approval of the Internal Audit **Strategic Plan 2006 – 2009**, which had previously been reported to the Audit Panel. This plan provides the overall direction for the Internal Audit service working in partnership with the External Auditors to minimise the overall audit cost to the authority. The plan prioritises the areas to be audited over the period and allocates

internal audit resource to each area based on an Internal Audit needs assessment evaluating the materiality and risk of the Council's activities.

- 3.7 The strategic plan is viewed flexibly as issues may arise during the currency of the plan, which divert Internal Audit away from planned work. The plan is therefore seen as a **statement of intent** that can be amended as necessary without having a damaging effect on the overall direction of the internal audit service. The strategic plan has been prepared in accordance with the approved Internal Audit – Terms of Reference.
- 3.8 The year 2007-8 is the second year of the three-year strategic audit plan. At the end of each year the plan is rolled forward to take into account any changes in priorities or risk.
- 3.9 Performance of the service is **monitored** against this plan each quarter during the year by way of a quarterly audit report to this committee, to the Corporate Management Team and to the external auditors.

#### **4. KEY ISSUES**

- 4.1 The approved Terms of Reference for Internal Audit require:

“3.3 The Financial Services Manager will:

- b) Prior to the beginning of each financial year, following consultation with the Corporate Management Team, provide:

a detailed operational plan showing how resources will be allocated in the coming financial year in order to meet the requirements of the strategic plan.”

- 4.2 The Financial Services Manager has discussed with each Chief Officer their requirements for the forthcoming year and requested items from this committee for consideration for inclusion within the plan.
- 4.3 The Council has been notified that it is to have **new external auditors** for the forthcoming financial year, the details of which have yet to be confirmed. Once the external audit team is notified to your officers contact with be made to ensure full liaison of the planned internal audit work.
- 4.4 Council in February 2007 approved a corporate management team review. The internal audit plan for 2007-8 attached as Appendix 1 is documented on the basis of the divisional management structure in place for 2006-7 except for the following changes:
  - Corporate risk management - to Financial Services
  - Corporate procurement - to Financial Services

- Equality & Diversity to Chief Executive's Unit
- Economic Development/External Funding to Planning, Health & Environment

All other structural and resultant administrative changes arising from the review will not add, change or remove the internal audits which have been identified in the plan – the only change will be the responsible senior manager.

## **5. FINANCIAL IMPLICATIONS**

- 5.1 There are no financial implications arising from this report.

## **6. LEGAL AND POLICY IMPLICATIONS**

- 6.1 The Accounts and Audit (Amendment) (England) Regulations 2006 Statutory instrument 564 require in Regulation 6 (1):

“A relevant body shall maintain an adequate and effective system of internal audit of its accounting records.”

## **7. RISK MANAGEMENT**

- 7.1 The risk management environment is in the process of being developed and is not currently sufficiently developed to enable the identification of internal controls being mapped to risks.
- 7.2 The Annual Audit Plan 2007 - 2008 has been prepared on the basis of an assessment by the Financial Services Manager of the risk of the Council's activities. This assessment has taken into account entries included within the corporate “CARMS” risk register.

## **8. CONCLUSION**

- 8.1 The Annual Audit Plan 2007 – 2008 summarises the work to be undertaken by the Internal Audit section and provides its overall direction. It is presented to members in accordance with the approved Terms of Reference for the Internal Audit section.

## **9. CONSULTEES**

- 9.1 Corporate Management Team

## **10. Background Papers**

20<sup>th</sup> November 2006 Audit Committee – Internal Audit – Terms of Reference – Update

21<sup>st</sup> March 2006 Audit Panel – Strategic Audit Plan 2006 - 2009

**INTERNAL AUDIT  
SECTION**

**ANNUAL AUDIT PLAN**

**2007 - 2008**



**WYRE FOREST DISTRICT COUNCIL**

**ANNUAL AUDIT PLAN 2007 TO 2008**

	<b><u>2007/08</u></b> <b><u>Days</u></b>
Systems and Probity	670
Computer Audit	50
Bought in Computer Audit	50
Contract Audit	40
Sub-total Planned Work	810
Consultancy and Advice	50
Irregularity Contingency	50
Specific Service Duties	10
WORKLOAD	920
AVAILABLE DAYS	917

**OVERALL COMMENTS**

This plan covers areas which have been identified by an objective risk assessment.

**WYRE FOREST DISTRICT COUNCIL**

**ANNUAL AUDIT PLAN 2007 - 2008**

<b>Division/Unit</b>	<b>System Audit Days</b>
Corporate systems	200
Cultural, Leisure and Commercial	120
Financial Services	200
Human Resources	75
Legal and Democratic Services	10
Planning, Health and Environment	50
Chief Executive's Unit	15
<b>TOTAL</b>	<b>670</b>

## WYRE FOREST DISTRICT COUNCIL

### ANNUAL AUDIT PLAN 2007 TO 2008

#### CORPORATE SYSTEMS

		<u>2007/08</u> <u>Days</u>
Corporate Governance	Note 1	50
Creditors	Note 2	40
Debtors		10
Flexible working Hours		10
Post Opening Procedures		10
Procurement & corporate contracts		20
Scale of Charges	Note 3	50
Statement of Internal Control		10
<b>TOTAL</b>		200

#### **Note 1 - Includes**

Anti Fraud & Corruption policies & strategies;  
Data Protection; Freedom of Information; ICT security;  
Records Management; Register of members interests;  
Standing orders relating to Contracts & Financial Regulations;  
Scheme of delegation; Framework & review (CIPFA Solace guidance);  
Code of conduct for employees & members;  
Employee register of interests, gifts & hospitality  
Use of Resources – Key Lines of Enquiry

#### **Note 2 – Includes**

Periodical payments and payments using procurement cards

#### **Note 3 – Includes**

Items from approved Incomed Service Options 28.2.7 Council not covered elsewhere in plan. Items covered on a rolling basis include:

allotments; blue badges; open spaces; other sports facilities;  
outdoor markets; weighbridge; playschemes; young rangers;  
air pollution; copy documents; ordnance survey; minutes & agendas  
electoral registers; bulky refuse collection;



**WYRE FOREST DISTRICT COUNCIL**

**ANNUAL AUDIT PLAN 2007 TO 2008**

**CULTURAL, LEISURE AND COMMERCIAL SERVICES**

Head of Service - Andrew Dickens

	<b><u>2007/08</u></b> <b><u>Days</u></b>
Accounting & Budget control	10
Asset Management -Property	15
Bewdley Museum	10
Car Parks	10
Cemetery	10
Civil Contingencies Act & Business	
Continuity planning	10
Creditors	10
Health & Safety	5
Management of Leisure contract	5
Markets	5
Play schemes	5
Trade Waste	10
Trading Estates & Property Debts	5
Waste Collection & recycling - Domestic	10
<b>TOTAL</b>	<b>120</b>

**WYRE FOREST DISTRICT COUNCIL**

**ANNUAL AUDIT PLAN 2007 TO 2008**

**FINANCIAL SERVICES**

Head of Service - Keith Bannister

	<b><u>2007/08</u></b> <b><u>Days</u></b>
Benefits	75
Accounting	10
Budget control & monitoring	10
Cash income and bank	15
Council Tax	30
Debtors - Housing Advances	5
Financial Management System	5
NNDR	15
Treasury Management	10
VAT	5
Risk Management	20
<b>TOTAL</b>	200

**WYRE FOREST DISTRICT COUNCIL**

**ANNUAL AUDIT PLAN 2007 TO 2008**

**HUMAN RESOURCES**

Head of Service - Paul Ryder

	<b><u>2007/08</u></b> <b><u>Days</u></b>
<b><i>ICT section</i></b>	
Internet/Email Access & Usage	5
Wireless technology	10
<b><i>Personnel &amp; Payroll</i></b>	
Member allowances	5
National Land & Property Gazeteer	5
Payroll inclusive of Travel claims	25
Training Expenses	5
<b><i>Customer Services</i></b>	
Worcestershire Hub	20
<b>TOTAL</b>	75

**WYRE FOREST DISTRICT COUNCIL**

**ANNUAL AUDIT PLAN 2007 TO 2008**

**LEGAL AND DEMOCRATIC SERVICES**

Head of Service - Caroline Newlands

	<b><u>2007/08</u></b> <b><u>Days</u></b>
Debt Recovery Procedures (VFM)	10
<b>TOTAL</b>	10

**WYRE FOREST DISTRICT COUNCIL**  
**ANNUAL AUDIT PLAN 2007 TO 2008**  
**PLANNING, HEALTH AND ENVIRONMENT**

Head of Service - Mike Parker

	<b><u>2007/08</u></b> <b><u>Days</u></b>
Development Control	10
Economic Development	10
External Funding	10
Improvement Grants	10
Licensing & Registration	10
<b>TOTAL</b>	50

**WYRE FOREST DISTRICT COUNCIL**  
**ANNUAL AUDIT PLAN 2007 TO 2008**  
**CHIEF EXECUTIVE'S UNIT**

	<b><u>2007/08</u></b> <b><u>Days</u></b>
Community Database	5
Performance management	10
<b>TOTAL</b>	15

**WYRE FOREST DISTRICT COUNCIL**

**ANNUAL AUDIT PLAN 2007 TO 2008**

**Computer Audit ( 50 days per annum)**

Assistance & advice to users re:

BACS  
Computer operations  
ESD Toolkit  
Government Connect  
ICE group/IMSG matters  
Internet security & E-mail policy & procedures  
Project Management  
Systems development & feasibility studies

**Bought in Computer Audit (50 days per annum)**

	<b><u>2007/08 Days</u></b>	<b>Lead Division</b>
Application Control Reviews:		
AGRESSO            Financial Management	10	Financial Services
CHRIS             Payroll & personnel	10	Human Resources
IBS                Benefits	10	Financial Services
IBS                Council Tax	10	Financial Services
IBS                NNDR	5	Financial Services
COVALENT        Performance Management	5	Chief Executive's Unit
<b>TOTAL</b>	50	

**WYRE FOREST DISTRICT COUNCIL**

**ANNUAL AUDIT PLAN 2007 TO 2008**

**Contract Audit ( 40 days per annum)**

Contract Audit includes:

- Contract Specifications
- Tendering Process including opening & recording
- Award of Contract
- Contract Monitoring
- Contract payments
- Contract register
- Final accounts as appropriate
- Post contract reviews

On contracts selected from the approved Capital Program for example

- Works relating to Worcestershire Hub
- Disposal of Council Assets
- Section 106 monies

**WYRE FOREST DISTRICT COUNCIL**  
**ANNUAL AUDIT PLAN 2007 TO 2008**  
**SPECIFIC SERVICE DUTIES**

1. National Fraud Initiative
2. Computer passwords changes/assistance (including mainframe access)
3. Issue of cheques and control of cancelled cheques
4. Authorised signatories
5. Year End reconciliation of Petty Cash balances