

**WYRE FOREST DISTRICT COUNCIL****AUDIT COMMITTEE**  
**14<sup>th</sup> MARCH 2011****Internal Audit - Annual Audit Plan 2011-2012**

<b>OPEN</b>	
<b>SUSTAINABLE COMMUNITY STRATEGY THEME</b>	Internal Organisational Theme
<b>CORPORATE PLAN AIM:</b>	A Well-run and Responsive Council
<b>CABINET MEMBER:</b>	Councillor Nathan Desmond
<b>RESPONSIBLE OFFICER:</b>	Director of Resources
<b>CONTACT OFFICER:</b>	David Buckland Extension No 2100 david.buckland@wyreforestdc.gov.uk
<b>APPENDIX</b>	Appendix 1 - Annual Audit Plan 2011 – 2012 Appendix 2 - Briefing Note Reduction in Days

**1. PURPOSE OF REPORT**

- 1.1 To inform members of the Internal Audit – Annual Audit Plan 2011–2012. The Plan has been prepared in accordance with the requirements of the CIPFA Code of Practice for Internal Audit in Local Government.

**2. RECOMMENDATIONS**

The Audit Committee is asked to:

- 2.1 **Approve the Internal Audit –Annual Audit Plan 2011 – 2012, attached as Appendix 1.**
- 2.2 **That approval be given for the Section 151 Officer to amend the plan in light of developments arising during the year as described in paragraph 3.8 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 an efficient and effective way and so providing value for money. An effective internal audit service is vital in helping management to meet these important duties. It is 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.
- 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 23<sup>rd</sup> March 2009 recommended approval of the Internal Audit Strategic Plan 2009 – 2012, which had previously been reported to the Audit Committee. 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 annual plan is viewed flexibly as issues may arise during the currency of the plan, which divert Internal Audit away from planned work.
- 3.8 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.
- 3.9 The year 2011-12 is the third and final year of the three-year strategic audit plan.
- 3.10 Performance of the service is **monitored** against this plan 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 Section 151 Officer 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 As part of the preparations for this annual plan the Section 151 Officer has discussed with each Director their requirements for the forthcoming year for consideration for inclusion within the plan.

4.3 In order to ensure that the audit service cost is minimised to the authority the internal audit section work with external audit to ensure full liaison of planned internal audit work.

4.4 The Internal Audit – Annual Audit Plan 2011–2012 has been prepared in accordance with the requirements of the CIPFA Code of Practice for Internal Audit in Local Government.

4.5 The areas in the plan have been compiled following a review of the Strategic Plan 2009-2012 approved by members in March 2009, updating for changes in structure and processes during the period to date together with the reviews that have been completed and including any new areas as appropriate.

4.6 The areas in the audit plan have been identified by an objective risk assessment. This has produced an overall needs assessment for the internal audit service of 565 days. This is a reduction on the days available in 2010-11, and a further reduction on the days included within the 3 year Strategic Plan approved in March 2009. However, with the recent decision to participate within the shared services for Regulatory Services, Human Resources and Payroll it is considered that this number of days is sufficient as detailed in **Appendix 2**.

#### 5. **FINANCIAL IMPLICATIONS**

5.1 There are no direct 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 Internal Audit - Annual Audit Plan 2011-2012 has been prepared in accordance with the requirements of the CIPFA Code of Practice. This requires the plan to be

informed by the Council's risk management, performance management and other assurance processes. Where the risk management process is not fully developed or reliable an independent risk assessment is undertaken by the Principal Auditor in consultation with the Section 151 Officer.

**8. EQUALITY IMPACT NEEDS ASSESSMENT**

- 8.1 An Equality Impact Assessment screening has been undertaken and it is considered that there are no discernable impacts on the six equality strands.

**9. CONCLUSION**

- 9.1 The Annual Audit Plan 2011 – 2012 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.

**10. CONSULTEES**

- 10.1 Corporate Management Team  
Leader of the Council

**11. Background Papers**

16<sup>th</sup> March 2009 ~ Audit Committee ~ Internal Audit ~Terms of Reference ~ Update  
16<sup>th</sup> March 2009 ~ Audit Committee ~ 3 Year Strategic Audit Plan 2009~12  
29<sup>th</sup> June 2009 ~ Audit Committee ~ Compliance with Cipfa Code of Practice



# **INTERNAL AUDIT SECTION**

## **ANNUAL AUDIT PLAN**

**2011 ~ 2012**

<b>WYRE FOREST DISTRICT COUNCIL</b>		
<b>ANNUAL AUDIT PLAN 2011 - 2012</b>		
		<b>Days</b>
Systems and Probity Audits	<b>Page 84</b>	365
Computer Audit	<b>Page 90</b>	65
Contract Audit	<b>Page 91</b>	40
<b>Sub-total Planned Work</b>		<b>470</b>
Consultancy and Advice	-	40
Irregularity Contingency	-	40
Specific Service Duties	<b>Page 92</b>	15
<b>WORKLOAD</b>		<b>565</b>
<b>AVAILABLE DAYS</b>	<b>Page 93</b>	<b>565</b>

### **OVERALL COMMENTS**

The areas in this plan have been identified by an objective risk assessment and has been prepared in accordance with the CIPFA Code of Practice for Internal audit.

**WYRE FOREST DISTRICT COUNCIL**  
**ANNUAL AUDIT PLAN 2011 - 2012**  
**SYSTEMS AND PROBITY AUDITS**

		<b>Annual Plan <u>2011/12</u> Days</b>
Corporate Systems	<b>Page 85</b>	140
Community & Partnerships	<b>Page 86</b>	30
Resources Directorate	<b>Page 87</b>	120
Legal & Corporate Services	<b>Page 88</b>	30
Planning & Regulatory Services	<b>Page 89</b>	45
<b>TOTAL SYSTEMS &amp; PROBITY AUDITS</b>		<b>365</b>

**WYRE FOREST DISTRICT COUNCIL**  
**ANNUAL AUDIT PLAN 2011 - 2012**  
**CORPORATE SYSTEMS**

	<u>2011/12</u> <u>Days</u>
Annual Governance Statement	10
Car Loans	5
Civil Contingencies & Business Continuity Planning	10
Corporate Governance <b>Note 1</b>	25
Creditors <b>Note 2</b>	30
Debtors	5
Mobile/Flexible/Home Working Hours	10
Petty Cash Payments	5
Post Opening Procedures <b>Note 3</b>	5
Procurement & Corporate Contracts <b>Note 4</b>	15
Scale of Charges <b>Note 5</b>	20
<b>TOTAL</b>	<b>140</b>

**Note 1 - Includes items from the following areas:**

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; Corporate Governance Framework; Code of conduct for Employees &  
 Members; Employee register of interests, gifts & hospitality; Use of Resources assessment.

**Note 2 – Includes**

Purchase Order Process; Periodical Payments and Payments Using procurement Cards

**Note 3** – As required by the Audit commission – Benefit Fraud Inspectorate

**Note 4** - Tender Openings, Recording, Awarding and Monitoring of Contracts

**Note 5 – Includes Items From Approved Service Options not Covered Elsewhere within the Plan**

**Items covered on a rolling basis include:**

Allotments; Blue Badges; Open Spaces; Other Sports Facilities;  
 Playschemes; Young rangers; Air Pollution; Copy Documents; Ordnance Survey; Minutes &  
 Agendas; Electoral Registers; Bulky Refuse Collection.



**WYRE FOREST DISTRICT COUNCIL**  
**ANNUAL AUDIT PLAN 2011 - 2012**  
**COMMUNITY & PARTNERSHIP SERVICES**

*Director – Linda Collis*

		<u>2011/12</u> <u>Days</u>
Management of Leisure Contract		5
Playschemes		5
Worcestershire Hub <b>Note 1</b>		20
<b>TOTAL</b>		<b>30</b>

**Note 1 - Includes:**

Cashiering and Cash to Bank; Reception & Switchboard Functions; Monitoring of Hub Partnership Agreement to include SLA with Community Housing Group; e-Shop Reporting.

**WYRE FOREST DISTRICT COUNCIL**  
**ANNUAL AUDIT PLAN 2011 - 2012**  
**RESOURCES DIRECTORATE**

*Director – David Buckland*

		<u>2011/12</u> <u>Days</u>
Accounting	<b>Note 1</b>	20
Benefits	<b>Note 2</b>	30
Budget Control & Monitoring		10
Council Tax		15
NNDR		15
Payroll Inclusive of Travel		
Claims	<b>Note 3</b>	10
Risk Management	<b>Note 4</b>	10
Treasury Management		10
<b>TOTAL</b>		<b>120</b>

**Note 1** Includes Bank Reconciliation; Journals & Transfers; Agresso FMS

**Note 2** Includes Benefit payments; Overpayments; Performance Standards; NI's;  
Rent Referrals; Statistical & Subsidy returns

**Note 3** SLA with Redditch Borough Council April 2011. Will include Wyre Forest District Council in-house roles and responsibilities.

**Note 4** Includes Covalent:Web~Based Risk Management System

**WYRE FOREST DISTRICT COUNCIL**  
**ANNUAL AUDIT PLAN 2011 - 2012**  
**LEGAL AND CORPORATE SERVICES**

*Director - Caroline Newlands*

		<b><u>2011/12</u></b> <b><u>Days</u></b>
Management of Town & Civic Halls		10
Recruitment	<b>Note 1</b>	10
Trading Estates & Property Debts		10
<b>TOTAL</b>		<b>30</b>

**Note 1** SLA with Worcestershire County Council. Will include Wyre Forest District Council in-house roles and responsibilities.

**WYRE FOREST DISTRICT COUNCIL**  
**ANNUAL AUDIT PLAN 2011 - 2012**  
**PLANNING AND REGULATORY SERVICES**

*Director - Mike Parker*

		<b><u>2011/12</u></b> <b><u>Days</u></b>
Car Parks	<b>Note 1</b>	10
Food Safety Inspections	<b>Note 2</b>	5
Hackney Carriages & Private Hire	<b>Note 2</b>	5
Litter Notices		5
On Street Parking		10
CHG Agency (Homelessness)		10
<b>TOTAL</b>		<b>45</b>

- Note 1** Includes Pay & Display Income/Cash Collection Arrangements; Parking Fees
- Note 2** Part of the Worcestershire Regulatory Shared Service from June 2010. Review of the SLA for Wyre Forest District Council. Assurance to be provided by the Worcestershire Internal Audit Shared Service. Wyre Forest District Council will review in-house roles and responsibilities.

**WYRE FOREST DISTRICT COUNCIL**  
**ANNUAL AUDIT PLAN 2011 - 2012**

**Computer Audit Applications (40 days per annum)**

		<u>2011/12</u> <u>Days</u>	<b>Lead Directorate</b>
<b>Application Control Reviews:</b>			
Civica Fraud	Benefits	5	Resources
Radius	Cash Receipting (KIOSKS)	15	Community Partnerships
Internet, Website & Email Security (See Note 1)		15	Resources
MisPlus 6	Land Charges	5	Legal & Corporate
<b>TOTAL</b>		<b>40</b>	

**Notes:**

Review of Internal, Website and E-mail Security will encompass Mobile, Flexible and Home Working IT arrangements.

**WYRE FOREST DISTRICT COUNCIL**  
**ANNUAL AUDIT PLAN 2011 - 2012**

**Computer Audit Other ( 25 days per annum)**

**Assistance & advice to users re:**

ICT Strategy and Implementation

BACS

Computer Operations

ICE Group/IT Security Group

E-government

Internet Security & E-mail Policy & Procedures

Corporate Project Management to include EDRMS

Corporate Systems Development & Feasibility Studies

Internet/Email Access/Usage

Network Security ICT Main Controls

**WYRE FOREST DISTRICT COUNCIL**  
**ANNUAL AUDIT PLAN 2011 - 2012**

**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 Revenue & Capital budgets.**

Single Site  
Crematorium  
Disposal of Council Assets

**WYRE FOREST DISTRICT COUNCIL**  
**ANNUAL AUDIT PLAN 2011 - 2012**

**Specific Service Duties – (15 days per annum)**

1. Monitoring of the Issue and Control of Cheques
2. National Fraud Initiative
3. Year End Reconciliation of Petty Cash Balances
4. Monitoring of Salaries/Wages BACS Limits
5. Collation and Distribution of Authorised Signatory Lists

**WYRE FOREST DISTRICT COUNCIL**

**STRATEGIC AUDIT PLAN 2009 TO 2012**

**AVAILABLE AUDIT DAYS 2011/2012**

	Principal Auditor	Senior Auditor (PT) (22.5Hrs)	Auditor	Auditor (PT) 30 hrs	TOTAL Per Annum	TOTAL %
GROSS	260	156	260	208	884	100
<b>Less:</b>						
Bank Holidays	10	6	10	8	34	3.9
Annual Leave	30	17	21	23	91	10.3
Sick/Special Leave	5	4	5	4	18	2.0
Training	5	3	5	3	16	1.8
<b>Less:</b>						
Audit Admin	40	20	10	10	80	9.0
Audit Management	50	-	-	-	50	5.7
Risk Management	20	10	0	0	30	3.4
Available audit days	100	96	209	160	565	63.9
<b>TOTAL AVAILABLE AUDIT DAYS</b>					<b>565</b>	





## Appendix 2

### Briefing Note:

### Annual Audit Plan 2011/12~Reduction of Available Audit Days

- This plan is the third year of the 3 year strategic plan approved by the Committee in March 2009 to cover the 2009~2012 Financial Years.
- As noted at 4.6, there is a further reduction of 55 available audit days for 2011/12. **(620-565)**, following the 55 days reduction in 2010/11.
- In previous years the Council have bought in additional days (50) from City of Worcester Colleagues to undertake computer application reviews this will not continue for 2011/12.
- An additional 5 days from the original planned days presented to Audit Committee in March 2009 have been reallocated to Training Requirements and an increase in Leave Entitlement for Senior Auditor undertaking Institute of Internal Auditors and Msc in Audit Consultancy examinations to enhance the In-House skills base. **(10 Days for the two years).**
- Following Council approval to participate in the Countywide Regulatory Service reducing the requirement for detailed licensing reviews and maintain efficiency savings, the 2011/12 System Reviews will be completed by the Worcestershire Internal Audit Shared Service with assurance to be provided to S151 Officer and the Audit Committee.
- From April 2011, the Payroll Service will be provided by Redditch Borough Council as part of a Service Level Agreement with the Council. System reviews will be completed by Redditch as the Host through the Worcestershire Internal Audit Shared Service with assurance to be provided to S151 Officer and the Audit Committee.
- The planned audits removed from the plan have been done so on an assessment of either risk (being considered low for the Council) or incorporated into other system reviews.
- The reduction of days is as follows and takes into account the overall reduction of days in comparison to the three year strategic plan approved by the Audit Committee in March 2009 :

#### **Corporate Systems (Page 8) (155 Days Reduced to 140 Days)**

Petty Cash	<b>5 Days</b> (Detailed Audit overview as part of the Admin
Post Opening	<b>5 Days</b> (Review with Corporate Guidance 10/11 drafted and issued. 2011~12 will be a review of process as part of transformation change).
Car Loans	<b>5 Days</b> (Reduced from 10. Audit of 08/09 gave a level of of Assurance "Some". 2011/12 will be an overview of system with compliance testing).

#### **Community & Partnership Services (Page 9) (40 Days Reduced to 30 Days)**

Management of Leisure Contract	<b>5 Days</b> (Audit of 08/09 gave a level of Assurance "Some". 2011/12 will be an overview of proposed changes for 2011/12~Cabinet Report 25 <sup>th</sup> January 2011.
Playschemes	<b>5 Days</b> (Audit of 08/09 gave a level of Assurance "Some". 2011/12 will be an overview of system with compliance testing).



## **Resources (Page 10) (150 Days Reduced to 120 Days)**

Payroll	<b>10 Days</b> (Service to be provided by Redditch BC. Internal Audit will review in-house roles and responsibilities)
Network Security/Email Usage	<b>15 Days</b> (Will be incorporated into the Computer Audit review to be undertaken in house).
Debtors (Housing Act Advances)	<b>5 Days</b> (Incorporated into the Cash to Bank Reviews for External Audit)

## **Legal & Corporate Services (Page 11) (No Reduction ~ movement of Services)**

Records	<b>5 Days</b> (Will be incorporated into the Computer Audit review of EDRMS)
Terrier	<b>5 Days</b> (Review in 2009/10 Level of Assurance Full ~ Low Risk)
Recruitment	<b>+ 10 Days</b> (HR to Legal & Corporate Services)

## **Planning & Regulatory Services (Page 12) (55 Days to 45 Days)**

Food Safety Inspections	<b>5 Days</b> (Reduced from 10 to 5 Days to cover Wyre Forest District Council elements of SLA with Bromsgrove as Host for Regulatory Services).
Hackney Carriage & Private Hire	<b>5 Days</b> (Reduced from 10 to 5 Days to cover Wyre Forest District Council elements of SLA with Bromsgrove at Host for Regulatory Services).

## **Computer Audit Applications (Page 13) (50 Days to 40 Days)**

Agresso Phase II	<b>5 Days</b> ~ Reviewed in 2010/11 with introduction of Purchase Order Processing).
Xpress Solutions	<b>5 Days</b> ~ Reviewed in 2010/11 as new application. <b>NB:</b> Replaced planned review of the CHRIS system in view of proposal to transfer Payroll to Redditch BC and HR to Worcestershire County Council.

## **Computer Audits (In~house) (Page 13) (40 Days to 25 Days)**

Reduction based on Audit time in 2010/11 in respect of assistance with new applications, project board and team meetings along with general advice and assistance. Available computer audit days combined for 2010/11 to be met by in house Internal Audit Team.

## **Chief Executive (Reduction of 10 Days)**

1. Recruitment of 10 Days now included within the Legal & Corporate Services Directorate.
2. Data Quality & Performance Management ~ 10 Days (Audit currently in progress for 2010/11 will encompass 2011/12).