

Report for Information

Report to Audit Committee
22 March 2011

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Report of Audit Manager

Subject Draft Internal Audit and Counter Fraud Plans 2011-12

Purpose

To update members of the progress on drafting the internal audit and counter fraud plans for 2011-12.

Recommendations

To receive the draft internal audit and counter fraud plans for 2010/11.

Financial Consequences

The financial consequences of this report are none directly.

Risk Management

The audit plan is informed by the council's strategic risk register and departmental risk registers, together with other assurance processes.

Strategic Objective/Service Priorities

The report helps to achieve the strategic priority "One council:

- customer focus – putting customers at the heart of everything we do;
- continuous improvement of our services; and
- cost conscious – efficient and effective service delivery "

Contact Officers

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Background Documents

Report

Background

1. The terms of reference for the Audit Committee include “Reviewing and considering the proposed ... internal audit coverage and whether this provides adequate assurance on the organisation’s main business risks...”
2. Internal audit provides an independent assurance function which reviews and reports on the adequacy and effectiveness of the council’s risk management, governance and internal control processes.
3. The CIPFA Code of Practice for Internal Audit requires the audit manager to ‘prepare a risk-based audit plan designed to implement the audit strategy.’ In preparing the plan, s/he should ‘take account of the adequacy and outcomes of the organisation’s risk management, performance management and other assurance processes.’ Further details of the factors informing the plan can be found in paragraphs 14 to 20.
4. The CIPFA Code also states that:
 - The audit manager should ‘consult stakeholders on the draft plan and revise the plan if appropriate’
 - ‘The audit plan should be fixed for a period of no longer than one year’
 - ‘The plan should outline the assignments to be carried out, their respective priorities and the estimated resources needed’
 - ‘The plan should differentiate between assurance and other work’
 - ‘The plan needs to be flexible to be able to reflect the changing risks and priorities of the organisation’
5. The audit manager has reviewed departmental risk registers to ensure that the proposed plan takes account of ‘auditable’ areas of high risk, including the risk of fraud.
6. During April the audit manager will attend departmental management teams to explain the audit planning process and invite comments on the draft audit plan and managers’ view on risks that may have been missed from the plan.
7. The draft internal audit plan is shown at **annex 1**. Once finalised it will be brought back to your next meeting for members’ approval.
8. The plan will be kept under review in conjunction with the council’s assurance processes. Any changes to the plan during the year as a result of changing risks or priorities will be reported to members.
9. At this stage it is estimated that 550 days are required in 2011-12 to complete the plan. However, given that the future delivery of the assurance element of internal audit work is still under consideration, this should only be considered as an indicative figure.

Factors informing the plan

10. In accordance with International Standards on Auditing (ISA 315) the Audit Commission requires internal audit to review annually the main information systems that inform the entries in the financial statements.
11. Emerging risks during the year may also require amendment to the plan.
12. A contingency allowance has been built into the plan to allow for internal audit's involvement in any ad-hoc or disciplinary investigations.
13. Time has been allowed to complete unfinished audit reviews and follow-ups of completed audits to ensure that satisfactory progress has been made.
14. There are some areas of a mainly corporate and consultancy nature which on the whole do not change much from year to year. These do not form part of internal audit's assurance work, and are shown at the end of the plan under the heading of *Non-audit and consultancy work*.
15. The risk of fraud and corruption has also been reviewed and a draft counter fraud plan with explanatory comments is shown at **annex 2**.

Conclusion

16. The audit planning process and draft audit and counter fraud plans for 2011-12 should provide members with adequate assurance on the main risks to the council's objectives and priorities, and help to support the council's annual governance statement. Any amendments to the plan, including resourcing implications, will be reported to members for your approval.

Draft Audit Plan 2011-12			
	2011-12		
Audit Assurance Work	Estimated Days	Priority	Reason for inclusion in plan
Fundamental systems			
Accounts payable (creditors)	15	H	In accordance with the International Standards on Auditing (ISA 315), the Audit Commission seeks to place reliance on the work of internal audit in evaluating and testing the main systems that drive the balances and disclosures in the financial statements.
Accounts receivable (debtors)	10	H	
Payroll	10	H	
Housing rents/arrears	20	H	
Income/cash receipting	10	H	
Treasury & cashflow management	10	H	
Housing & council tax benefits	15	H	
Council tax/NDR	20	H	
Asset management	20	H	
Sub-total	130		
Corporate resources			
Grant claim certification	15	H	Audit Commission recommendation
Data protection/freedom of information	15	H	Cyclical
Procurement	15	H	From service risk & counter fraud plan
Sub-total	45		
Regeneration & development			
Investment portfolio - rents, voids, etc.	15	H	From service risk register
Highways agency	15	H	Cyclical
CCTV	5	M	Freedoms Bill code of practice
Car parks income	10	H	From service risk register
Provision market	10		Cyclical
Leasehold services	15	H	Cyclical
Sub-total	70		
Strategy & programme management			
Energy efficiency	15	H	Previous audit issue - now lean process
Sub-total	15		
Communications and culture			
Tourism, sports and events	10	M	Cyclical
Sub-total	10		
Corporate reviews			
Ad-hoc investigations	20	M	Contingency allowance
Probity	20	H	Sample checking of transactions
Outsourced IT audits:	15	H	IT security and PCI - client role
Northgate (revenues & benefits)			
Civica (customer contact)			
PARIS (cash receipting)			
Sub-total	55		
To complete 2010-11 plan:			
Performance management system	10	H	
Grants - various services	10	M	
Maintenance of housing stock	10	H	Strategic and service risks
Neighbourhood teams	5	M	
Major contracts	15	H	Strategic and service risks
General ledger	10	H	
Leisure Centre	5	M	
Care & repair	10	M	
Sports facilities	5	M	
Sub-total	80		

Draft Audit Plan 2011-12 (cont.)	2011-12		
	Estimated Days		
Follow-ups	20	H	Follow ups required by Code of Practice
Sub-total	20		
Total for audit assurance work	410		
Non-audit & consultancy work			
New Deal - grant claims	15		Post-scheme involvement of audit staff
Corporate governance	30		Review policies; VFM assessment
Fraud plan, incl. NFI	40		Fraud risks & matches from NFI
Risk management	15		Corporate issue
Financial appraisals/tenders/final a/cs	5		Contingency
Advice, unplanned work, requests	35		Contingency
Total for non-audit/consultancy work	140		
Total Allocated Days	550		

Internal Audit

Draft Counter Fraud Plan 2011-12

Area	Comments	Resourcing
Housing – unlawful subletting	Highlighted as a risk in 'Protecting the Public Purse'. This risk is the subject of a national initiative – the council received a grant for participating. We will investigate the potential benefit of extending data matching in 2011-12. We also receive potential matches from NFI results, and these will be investigated.	Fraud team in conjunction with housing staff
Council tax – single person discounts	Highlighted as a risk in 'Protecting the Public Purse'. We also received potential matches from NFI results, and these have been investigated. Further data matching initiatives will be explored in 2011-12	Fraud team and council tax staff.
Recruitment	Highlighted as a risk in 'Protecting the Public Purse'. Any issues from internal audit reports will be followed up.	Internal audit
Housing and council tax benefit	Highlighted as a risk in 'Protecting the Public Purse'. Experience shows that this continues to be an area with a high risk of fraud, and is the main target for the work of the fraud team. We also receive potential matches from NFI results, and these will be investigated.	Fraud team
Procurement	Highlighted as a risk in 'Protecting the Public Purse' and in service risk register. Included in draft internal audit plan for 2011-12.	Internal audit
Insurance claims	Highlighted as a risk in 'Protecting the Public Purse'. Internal audit of our insurance arrangements gave adequate assurance, and will be followed up. We also receive potential matches from NFI results, and these will be investigated.	Internal audit