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Meeting	Audit Committee
Date	11 March 2010
<b>Subject</b>	<b>Internal Audit Annual Plan 2010-11</b>
Report of	Interim Chief Internal Auditor
Summary	To consider and approve the Internal Audit Annual Plan for 2010-11.

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Officer Contributors	Richard King - Interim Chief Internal Auditor
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A: Internal Audit Draft Plan 2010-11
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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## **1. RECOMMENDATIONS**

- 1.1 That the Committee approve the Draft Internal Audit Plan for 2010-11.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 At the meeting of this Committee on 16<sup>th</sup> December 2009, Members were presented with the Internal Control Improvement Plan. Paragraphs 5 and 6 relate to specific issues for Internal Audit to accomplish with regard to producing an Internal Audit Strategy and the Annual Audit Plan.
- 2.2 The Strategy was presented to and approved at the meeting on the 16<sup>th</sup> of December 2009 and the Annual Plan has been prepared in accordance with the approved Strategy and the actions from the Improvement Plan.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 A comprehensive Internal Audit Plan is essential to giving an annual Internal Audit Opinion on the internal control environment (ICE) which is fundamental for the achievement of the Council's objectives. This opinion forms an integral element of the Annual Governance Statement.
- 3.2 Each internal audit has been mapped to the corporate priority that it supports.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 The Plan supports the Council's risk management system and processes as each internal audit will either comment on how well risks are being managed or how effective the controls to mitigate the risks in the area under review are. Outcomes from the internal audits will either confirm effective management of risk or suggest areas for improvement.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 The Internal Audit Team is committed to promoting equality, challenging discrimination and developing community cohesion. This will be demonstrated through our service delivery.

## **6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)**

- 6.1 None directly as a result of this Plan but addressing any risks arising from the internal audits may require additional resources.

## **7. LEGAL ISSUES**

- 7.1 None.

## **8. CONSTITUTIONAL POWERS**

- 8.1 The Council's Constitution Part 3, Responsibility for Functions, details the terms of reference of the Audit Committee including:

“To consider the head of internal audit’s annual report and opinion and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council’s corporate governance arrangements.”

## **9 BACKGROUND INFORMATION**

- 9.1 Attached to this report at Appendix A is a draft Annual Plan for the year 2010 – 11 prepared after discussions with directors and a review of the Council’s risk management system both at a corporate and directorate level.
- 9.2 Members should be satisfied that the Plan will assist them in making their assessment of the internal control environment prior to approving the attached Plan.

## **10. LIST OF BACKGROUND PAPERS**

- 10.1 None.

Legal: JEL

Finance:

### Internal Audit Plan 2010-11

#### 1. Introduction

Following the external review of Treasury Management by Deloitte in June 2009 a number of conclusions were drawn in connection with internal control. This review was followed by a further review of the system of internal control from AKA Consultants who were tasked with assessing the robustness of the internal control system, identifying potential areas of weakness and providing practical recommendations for improvement.

This review concluded that there were some urgent issues that needed to be addressed quickly to avoid a repetition of the circumstances around the Treasury Management situation. There were a number of suggestions concerning Internal Audit which form part of the Internal Control Arrangements: Improvement Plan presented to this Committee at its meeting on 16-12-09. These included:

- establishing an audit strategy;
- preparing an annual plan that clearly indicates “key systems”;
- that the annual plan should comprise of risk based system reviews, compliance audits “end to end process reviews”, etc.;and
- all finalised internal audit reports to be held centrally for all officers and members to view, review and appreciate emerging control issues that may impact on a broader range of services.

The Strategy approved by members at the Audit Committee on 16 December 2009 takes these suggestions forward and the Plan that follows is based on this agreed Strategy.

This Strategy recognises that Internal Audit must contribute to the effective management of the Council through providing assessments of the assurance that can be placed on the management of the risks to the achievement of the Council’s aims and objectives. These assurances will be given at an overall level on the effectiveness of the Council’s internal control environment and also at an individual audit level.

This approach accords with recognised best practice for internal audit in local government.

All work will be planned in co-ordination with the Council’s External Auditor in order to enhance the benefit derived from all audit activity and to minimise duplication and impact on the service managers

## **2. Internal Audit Approach**

The Plan is designed to enable the Chief Internal Auditor to give at the close of the financial year in the Annual Report of Internal Audit, an opinion, in support of the Annual Governance Statement, on how the Council management's risk management processes identify, evaluate, monitor and report that controls are operating effectively within the Council. This opinion is based on all of the internal audits carried out during the year.

The Internal Audit Plan for 2010/11 has been developed in a number of ways as follows:-

- Linking with the Directorates' plans;
- Risk Management meetings with officers from all Directorates;
- Building on the Risk Management Audit carried out in February/March 2010;
- Internal Audit's 'Cumulative Audit Knowledge and Experience' (CAKE). See Appendix A item 8 for a detailed description.

A number of the planned audits, will be carried out as part of Internal Audit's responsibility to provide assurance to the Council on the effectiveness of internal controls in the Authority.

Audits that cover governance, contribute towards the Chief Internal Auditor's overall assurance on corporate governance arrangements in the Authority which forms part of the Annual Governance Statement (AGS).

Management requests also form part of the Audit Plan and arise from regular discussions with senior management in the individual Directorates.

## **3. Staffing**

The Plan is resourced by calculating the number of staff days required to undertake sufficient internal audit activity for a meaningful assurance to be given at the end of the financial year for inclusion in the AGS.

The current establishment of the Internal Audit team equates to 817 staff days available for audits. This figure is derived from a calculation of the total number of days per staff member (260) and subtracting time for annual leave, training and development and administrative tasks that have to be undertaken. The total reached for the permanent staff is then supplemented by using contract staff to reach the budgeted figure of 817. This total compares with 1192 days in 2009/10 (which included audit days for follow-ups, which will not all be carried out in line with the new Internal Audit Strategy).

#### **4. The Annual Plan**

The proposed Plan is given at appendix A and includes an indication of the activity area for audit, the approximate timing and the number of staff days allocated to the audit. It must be borne in mind that some of these audits might need to change in light of prevailing circumstances. It is essential to recognise that any changes in the Corporate Plan priorities may well lead to significant adjustment to the Internal Audit Plan. Additionally, changes might result from new risks coming forward, other review agencies activities or changing priorities. For all significant alterations to the Plan, approval will be sought from the Audit Committee.

#### **5. Reporting to the Audit Committee**

With Members agreement, I would like to amend the format of the reports to the Committee. In future, I propose that for each "limited" or "no-assurance" audit result, I will report:

- the subject of the audit;
- the assurance level;
- when the audit was carried out;
- brief details of the area being reported including quantitative and/or financial statistics; and
- the principal findings of the audit.

#### **6. Phasing of the Plan**

The Plan needs to be phased to accord with Directorate workloads, external audit timings and the Audit Committee reporting requirements.

The targets for completing the Audit Plan are as follows:-

Quarter 1 21%  
Quarter 2 27%  
Quarter 3 26%  
Quarter 4 26%

These are approximate targets and quarter 1 reflects the finalisation of 2009/10 reports.

## **7. Internal Audit Performance**

Members should be given sufficient information to make judgements about the Internal Audit Service that the Council receives. I propose the following as the target performances for the year ahead.

These indicators need to be taken together when making a judgement on the quality of the service provided by Internal Audit and it can be seen that performance is dependent, in many cases, on Directorate responses to the audits undertaken.

Performance against the targets will be reported to each Audit Committee meeting where practical.

<b>Performance Indicator</b>	<b>Target</b>	<b>Actual</b>
<b><i>Effectiveness</i></b>		
<b>% of recommendations accepted</b>	<b>98%</b>	
<b>% of recommendations implemented</b>	<b>90%</b>	
<b>External Audit evaluation of Internal Audit</b>	<b>Reliance On IA</b>	
<b><i>Efficiency</i></b>		
<b>% of Plan delivered</b>	<b>95%</b>	
<b>% of available time spent on direct audit work</b>	<b>80%</b>	
<b>% of draft reports completed within 10 days of finishing fieldwork</b>	<b>90%</b>	
<b>Preparation of Annual Plan</b>	<b>By March</b>	
<b>Periodic reports on progress</b>	<b>Each Audit Committee</b>	
<b>Preparation of Annual Report</b>	<b>Prior to A.G.S.</b>	
<b><i>Quality of Service</i></b>		
<b>Average client satisfaction score</b>	<b>90%</b>	
<b><i>Staff Management</i></b>		
<b>Staff with professional qualifications</b>	<b>70%</b>	
<b>Staff development days</b>	<b>5 days</b>	

## **8. Cumulative Audit Knowledge and Experience**

Cumulative Audit Knowledge and Experience has arisen through the following:-

- Work done with the Service in the past
- Regular meetings with Directorates
- Issues raised at various meetings
- Known risks and risk assessments
- Wider local government issues
- Past history of errors and irregularities
- Advice received from external auditors
- Planning meetings with directorates



## Appendix A

### The 2010-2011 Internal Audit plan

*All audits are linked to the 2010/11- 2013/13 Corporate Priorities which are subject to agreement by the Cabinet.*

**BSLM** = Better services with less money

**SLS** = A successful London suburb

**SOSR** = Sharing opportunities, sharing responsibilities

#### CORPORATE GOVERNANCE

##### Directorate

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
ALL	Corporate Governance	To assess how governance arrangements in the Council meet the principles of the CIPFA governance framework.	DCG	20	
ALL	Business Continuity	To assess the Council's business continuity arrangements.	DCG	15	

##### Democratic Services

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
ALL	Members Allowances	To assess the arrangements for and the management of the Members Allowances Scheme.	DCG	10	

**DCG** = Director of Corporate Governance

## Chief Executive's Service

<b>Contribution to the Corporate Priorities</b>	<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>No of Audit Days</b>	<b>Quarter</b>
SOSR	Equalities	A system review will be conducted to assess the effectiveness of controls in place to achieve the Council's objectives for Equalities.	ACE	20	

**ACE = Assistant Chief Executive**

## ENVIRONMENT AND REGENERATION

### Planning Housing and Regeneration

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
ALL	Fire Safety	Assessment of the framework for monitoring compliance with fire safety regulations and standards.	DPHR	15	
BSLM	Environmental Health	A systems review of the effectiveness of arrangements to improve and sustain environmental health within the Borough. The audit will focus on one of the two areas -Commercial or Residential.	DPHR	15	
BSLM	Future Shape	A review to assess the effectiveness processes to identify potential areas for the Future Shape programme in this area of the Directorate.	DPHR	20	
BSLM SLS	Sustainability	A review will be conducted jointly within the <u>Planning Housing and Regeneration and Environment and Operations Directorates</u> to assess the controls in place to achieve the Council's objectives for sustainability, with particular focus on measures to achieve the CO2 reduction target.	DPHR DEO	20	

**DPHR = Director of Planning, Housing and Regeneration**

**DEO = Director of Environment and Operations**

## Environment and Operations

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
BSLM SLS	Waste Prevention	A review of the processes to deliver the Council's Waste Prevention Strategy to ensure that the council's objectives with regard to waste minimisation are delivered efficiently and effectively.	DEO	15	
BSLM	Highways Restructure	Internal Audit will provide challenge, advice and guidance during the service restructure phase.	DEO	10	
BSLM	Street Lighting	Review the implementation of the PFI contract to ensure an effective delivery of the service objective of reducing fear and crime through improved street lighting.	DEO	15	
BSLM	Parking	To review the processes and controls operating in the Parking Service, including arrangements for Cashless Parking.	DEO	30	
BSLM	Project Governance	To assess the effectiveness of Project Governance arrangements in a sample of projects to ensure compliance with the Corporate Standards in delivering projects.	DEO	15	

**DEO = Director of Environment and Operations**

## COMMERCIAL SERVICES

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
BSLM	Strategic Procurement	Review of the processes within the Service to support the Council's Future Shape programme.	CD	15	
SOSR	Building Schools for the Future	Provide challenge, advice and guidance on risk management during the delivery phase of the project and ensure that the project delivery is managed within an effective and efficient governance structure.	CD	12	
BSLM	Value for Money	To assess the effectiveness of the Corporate approach to VFM in supporting service delivery.	CD	20	
BSLM	Property Asset Plan	To assess the management of the Council's Property Asset Plan.	CD	15	
SOSR	Brunswick Park Community Hub	Provide challenge, advice and guidance on risk management during the delivery phase of the project and ensure that the project delivery is managed within an effective and efficient governance structure.	CD	12	

**CD = Commercial Director**

**COMMUNITIES**  
**Children's Services**

<b>Contribution to the Corporate Priorities</b>	<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>No of Audit Days</b>	<b>Quarter</b>
BSLM SOSR	Special Education Needs Placements	A review of the service arrangements for placement of children with special needs within Barnet's schools. .	DCS	20	
BSLM SOSR	Independent Provider Performance	An assessment of the arrangements for monitoring the performance of independent providers, focusing on providers for Special Education Needs services.	DCS	15	
BSLM	Performance Management	A systems review to assess compliance of the data quality arrangements against the corporate data quality guidance.	DCS	15	
BSLM	Budgetary Control	A review of the system of controls for establishing, managing and monitoring budgets for the delivery of the objectives of the Service.	DCS	15	
BSLM	Risk Management	A review of the risk management arrangements to ensure compliance with Council's Risk Management Strategy.	DCS	12	

**DCS = Director of Children's Services**

## Adult Social Services

<b>Contribution to the Corporate Priorities</b>	<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>No of Audit Days</b>	<b>Quarter</b>
BSLM SOSR	Residential Nursing Care	An 'end to end' systems review of Residential Nursing care will be undertaken to ensure that there are consistent processes in place across the Directorate to delivery the required service to meet clients' needs effectively and on time.	DASS	45	
BSLM SOSR	Reviewing	A systems review of the current processes to assess that client's ongoing needs are being reviewed regularly, met promptly and effectively.	DASS	15	
BSLM	Performance Management	A systems review to assess compliance of the data quality arrangements against the corporate data quality guidance.	DASS	10	

**DASS = Director of Adult Social Services**

## FINANCE

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
ALL	Capital Programme	To assess compliance with the prudential code, the management of various capital funding streams (e.g. Section 106 and prudential borrowing), including capital receipts from the disposal of properties and the effectiveness of the fixed asset register as a tool for management and administration of the Council's capital assets, including compliance with IFRS.	DoF	15	
ALL	Treasury Management	To assess treasury management borrowing arrangements to minimise interest costs and achieve interest cost stability through, for example, sound management of the long term debt structure and compliance with the prudential code.	DoF	15	
ALL	Accounts Payable	To assess the Council's payment arrangements to ensure the correct and prompt payment of the Council's creditors.	DoF	12	
BSLM	Debit/Credit cards	To assess the arrangements to ensure the secure payment and the prompt and accurate processing of amounts paid to the Council using debit and credit cards.	DoF	15	
BSLM	Grant Audits	To assess arrangements for grant management/administration.	DoF	10	
BSLM	Compliance with Financial Regulations	To assess compliance with the Council's Financial Regulations	DoF	10	

DoF = Director of Finance



## CORPORATE SERVICES

### Human Resources

<b>Contribution to the Corporate Priorities</b>	<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>No of Audit Days</b>	<b>Quarter</b>
BSLM	Recruitment HR Payroll	To assess arrangements to ensure that candidates with the necessary skills, knowledge, experience and qualifications are selected and retained in the Council, that employee costs are made promptly and correctly and compliance with the relevant statute.	DoCS	15	
ALL	Safer Recruitment	To assess recruitment arrangements to ensure the safeguarding of children and vulnerable adults and compliance with the relevant Laws and Regulations.	DoCS	12	
BSLM	LG Pension Administration including compliance with Financial Regulations	To assess Pension Fund administration arrangements	DCS/DoF	12	

## Information Systems

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
BSLM	Electronic Document Record Management System (Phase 2)	To assess project governance arrangements and the provision of related advice and guidance during the implementation of the solution.	DoCS	15	
BSLM	IS Strategy	To assess arrangements for the development of an effective IS Strategy supporting Future Shape and ensuring sustained service delivery in view of the significant proposed savings.	DoCS	10	

## Revenues and Benefits

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
BSLM	NNDR / Business Rates	To assess effectiveness of key controls for this area.	DoCS	12	
BSLM	Council Tax	To assess effectiveness of key controls for this area.	DoCS	12	
ALL	Housing Benefit	To assess effectiveness of key controls for this area.	DoCS	12	
ALL	Council Tax, NNDR and Housing Benefit Pericles	To assess project governance and the provision of related advice and guidance during the implementation of the solution.	DCS/DoF	15	

<b>Contribution to the Corporate Priorities</b>	<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>No of Audit Days</b>	<b>Quarter</b>
	replacement (including the document management system)				
BSLM	Cash Book control and reconciliation	To assess arrangements to ensure the timely and accurate preparation of reconciliations for all main accounts.	AD-SS	12	
BSLM	Income and Debt Management	To assess arrangements to ensure the timely and accurate processing and recording income and receipts, the prompt collection of amounts owed and the appropriate write-off of uncollectible debts.	DCS/DoF	15	

### **Customer Services and Libraries**

<b>Contribution to the Corporate Priorities</b>	<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>No of Audit Days</b>	<b>Quarter</b>
ALL	Customer Access and Libraries	To assess arrangements to ensure the effective roll out of aspects of the Customer Access Delivery Plan (e.g. ICS accreditation) including the management and improvement of Libraries.	DoCS	15	

**DoCS = Director of Corporate Services**

## **Other Work:**

### **Internal Audit will also:**

Provide Advice and Guidance on risk and control – 40 audit days

Undertake Follow-ups and there is a contingency to undertake additional work – 50 audit days

School audits – 152 days