
REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	24th February 2010	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	TONY STAMPER (595706)	DOC:
SUBJECT:	Internal Audit Strategic Plan 2010/15 and Work Plan for 2010/11	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE:

1.0 Recommendations

- 1.1 That Members approve the strategic audit plan for the period 2010/15.
- 1.2 Members are asked to agree the annual work plan for 2010/11.

2.0 Purpose of Report

- 2.1 To provide Members with details of the strategic audit planning process for the five financial years ending 2015 including the work plan for the forthcoming year 2010/11.
- 2.2 The strategic audit plan for the period 2010/15 is detailed in Appendix A for Members' approval.
- 2.3 The annual work plan for 2010/11 is attached at Appendix B for Members' approval.

3.0 Detail

- 3.1 Internal audit is an assurance function that primarily provides the organisation with an independent and objective opinion on the degree to which the control and governance environment supports and promotes the achievement of the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the internal control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 3.2 The work of Internal Audit is planned in advance to ensure that there is reasonable coverage of all Council activities. With the resources available it is not possible to cover all activities within one year and therefore a strategic planning process is used.

- 3.3 The strategic audit planning process comprises needs, risk and resource assessments which culminate in the development of a long-term plan.
- 3.4 This process involves professional judgements on:
- a. the definition of auditable systems
 - b. the approach for determining risk and providing assurance
 - c. the priority given to, and frequency of, each audit
 - d. the allocation of audit resources
- 3.5 The needs assessment identifies all areas of the Council's activities that need auditing. Our needs assessment has been developed to include corporate and operational systems and has taken into consideration the Council's objectives as well as integrating with our risk management procedures.
- 3.6 All auditable areas are classified within a framework based on Corporate and Departmental Management responsibilities; this is in effect a systems register. This determines the Council's internal control environment.
- 3.7 The risk assessment process assesses the level of inherent risk within the identified auditable areas. Use is made of a risk assessment methodology that quantifies risk in degree terms. This determines the frequency, coverage and time necessary to assess that risk in control terms.
- 3.8 The resource assessment determines the resources necessary to match the needs. Needs are quantified for all identified auditable areas in the form of days and frequency of audit. Capability, in both capacity and expertise terms, is derived in the form of audit days available to meet these needs. This is determined by a rolling approach over a five-year cycle utilizing the audit team's available resources.
- 3.9 The plan, in resource terms, is flexible primarily by its rolling nature, however there may be times when the team does not have the capacity or specialist expertise to undertake certain audits. In such a case the Head of Finance and Property Services will consider additional budget coverage to buy in resources. This is also an option if investigation work, sickness or vacancies occur in any significant manner.
- 3.10 The Corporate Management Team and the Heads of Service are consulted on the internal control framework. The Director of Corporate Services, as the Council's Responsible Finance Officer, agrees the plan and it is discussed with the Chairman of this Committee.
- 3.11 Joint working arrangements exist between Internal Audit and our external auditors, as part of a managed audit approach. Their requirements, in particular section 151 work, are included in the process.
- 3.12 The plan contains time allocations which are used either for systematic audit programmes or for audit work to be specified as necessary.

- 3.13 The 2006-2010 strategic plan concentrated on the financial systems as the majority of these had new computer packages. The 2010-15 plan seeks to look more at governance and value for money issues.
- 3.14 Each year a work plan is produced from the strategic plan and progress is monitored on a quarterly basis.
- 3.15 The annual work plan is derived from the strategic plan adjusted for slippage, investigation work, changing priorities or specific management requests.
- 3.16 The flexible nature of the strategic plan allows, each year, the annual work plan to be re-assessed in risk and content terms. The risk registers are also examined.
- 3.17 The Corporate Management Team and the Heads of Service are consulted, every year, on the annual plan. The Director of Corporate Services, as the Council's Responsible Finance Officer, agrees the plan.
- 3.18 An allocation has been included to undertake specialist computer audit. This involves employing specialists to examine our operating systems but is subject to availability of funds.

4.0 Financial Implications

- 4.1 None stemming directly from this report.

5.0 Conclusions

- 5.1 The Council's Strategic Audit Plan provides a robust mechanism to ensure that the necessary evidence is collected to provide an opinion on the adequacy, effectiveness and reliability of the organisation's internal control environment.

6.0 Background Papers

- 6.1 CIPFA Financial Information Service - Audit Management planning guidance

AUDIT CATEGORY	Days	Sub Total			%
Total available days less leave etc	620		20	640	
PLANNED AUDITS/ AUDIT WORK					
Systems)	260				
Regular & Ad Hoc audit work)					
Risk and V.F.M.	65	325	325		50.78%
CONTINUOUS AUDIT					
a. Routine Checks	2				
b. Small Systems Review	2	4	4		0.63%
SPECIALIST AREAS					
a. Computer					
i. Development	32				
ii. Audit	18				
iii. Specialist Audit	20	70	70		10.94%
b. Contract					
i. Final Account/Procedure Rules	32				
ii. Current Audit	12	44	44		6.88%
MANAGEMENT					
Audit	45				
Other	15	60	60		9.38%
OTHER					
Special Investigations	28				
Contingency	12	40	40		6.25%
TRAINING, FURTHER EDUCATION ETC					
Seminars and Meetings	15	15			
Training -C.P.E	10				
Further Education	0				
In-House	15	25	40		6.25%
ROUTINE DUTIES					
External Audit		8			
General Office Duties		8			
Internal Check-Payroll		1			
Cash Office Duties		4			
Procurement		2			
Paid Cheque enquiries		3			
Security		9			
Union Duties		18			
Other		4	57		8.91%
TOTAL DAYS FOR EACH YEAR OF THE PLAN			640		100.00%

AUDIT CATEGORY	CE	VA	VO	SA	IPW	SE	TA	SCORE	RISK	Material System	Frequency	Allocated Days	Year 1	Year 2	Year 3	Year 4	Year 5	Remarks		
Risk Factor Weighting	X 2	X 2	X 2	X 2	X 3	X 2	X 1													
CHIEF EXECUTIVE																				
Legal and Democratic Services																				
Democratic Services																				
Register of Electors	4	2	2	0	0	0	6	5	19	L	B	5		5		5				
Elections	4	2	2	0	0	10	4	4	22	L	B	3		3		3				
Legal																				
Land Charges	2	2	4	2	3	4	2	2	19	L	B	5		5		5				
Members Allowances	2	2	4	2	6	2	2	2	20	L	B	3		3		3				
COMMUNITY SERVICES																				
Planning Services																				
Building Control Fees	2	4	6	0	0	4	2	2	18	L	B	2		2		2				
Planning Fees	4	4	6	0	0	4	2	2	20	L	B	2		2		2				
Planning Income	4	0	4	0	0	0	5	13	13	L	Q	Cash							Incl Cash	
Section 106 Agreements	2	8	2	2	3	4	4	4	25	L	B	6		6		6				
Environmental Services																				
Trade Refuse/Recycling	4	2	4	2	3	4	1	1	20	L	B	2		2		2				
Refuse collection	4	4	4	0	0	8	5	25	L	L	B	2		2		2				
Transport	2	4	4	0	3	2	3	18	L	L	T	6		6					6	
Vehicle Workshops	2	2	4	0	3	0	3	14	L	L	T	2		2					2	
Improvement Grants	2	4	4	4	6	4	1	1	25	L	B	10		10		10				
Lullington Gypsy Site	2	2	0	2	3	2	1	12	L	L	T	2		2		2				
Licensing	6	4	6	4	0	6	5	31	M	L	A	8 or 4		8		4			8	
General (pest control)	2	2	2	0	0	0	5	11	L	L	Q	1		1						
Leisure and Community Development																				
Parks and Open Spaces	6	2	4	2	6	2	2	24	L	L	B	5		5		5				
Grounds Maintenance	4	4	4	0	0	2	2	16	L	L	T	4				4				
Leisure Centre - Client	4	6	4	0	0	2	3	19	L	L	T	Contract								
Cemeteries	4	4	4	2	0	6	5	25	L	L	T	5				5				
Allotments	4	0	0	0	0	0	5	9	L	L	Q	1		1						
Markets	4	2	2	2	2	2	2	14	L	L	T	Contract								
Civic Halls - Swadlincote Town Hall	4	2	2	0	0	2	4	14	L	L	T	1				1				
Etwell Leisure Centre	2	4	8	0	0	4	1	19	L	L	T	1				8			8	
Resolston Forestry Centre	6	4	2	4	6	2	2	26	M	L	A	5		5		5			5	
Partnerships	2	6	4	2	0	6	1	21	L	L	A	8		8		8			8	
																				req Annual
																				LAA, G/Point

AUDIT CATEGORY	CE	VA	VO	SA	PW	SE	TA	SCORE	RISK	Material System	Frequency	Allocated Days	Year 1	Year 2	Year 3	Year 4	Year 5	Remarks	
Housing Services																			
Rent accounting	2	8	8	2	0	4	1	25	L	M	A	15 or 7	7	15	7	15	7		
Housing Administration	4	4	4	0	0	4	4	20	L		B	4	4	4		4			
Foston Gypsy Site	4	2	0	4	2	2	4	18	L		T	3	3			3			
Warden Controlled Schemes	2	4	0	0	0	4	4	14	L		T	2	2	2			2		
Housing Repairs	4	6	4	6	6	4	1	31	M		A	10 or 6	10	6	10	6	10	6	HM/Gas etc
Sale of Council Houses	2	4	0	0	0	2	1	9	L		Q	2	2			2	2		part incl cash
CORPORATE SERVICES																			
Customer Services																			
N.N.D.R	2	8	6	2	0	4	1	23	L	M	A	10 or 6	6	10	6	10	6		
Cash	2	10	10	2	6	2	1	33	M	M	A	12 or 6	6	12	6	12	6		
Housing Benefits	4	8	10	4	4	6	1	37	M	M	A	18 or 8	8	18	8	18	8		
Bus Passes	2	2	0	0	0	0	5	9	L		Q	1	1	1					
Council tax	2	10	10	2	0	6	1	31	M	M	A	15 or 8	8	15	8	15	8		
Customer Relationship Management	2	8	10	2	0	6	4	30	M		A	6	6	6	6	6	6		
Print Facility	2	2	6	2	0	2	5	19	L		T	5				5			
Finance and Property Services																			
Finance:																			
Sundry Debtors	2	6	6	4	3	4	1	26	M	M	A	12 or 7	7	12	7	12	7		
Payroll (Salaries)	2	8	4	2	0	2	1	19	L	M	A	10 or 6	6	10	6	10	6		
Payroll (Wages)	2	6	4	4	3	2	1	22	L	M	A	10 or 6	10	6	10	6	10		
Creditors	2	10	8	4	0	4	1	29	M	M	A	18 or 8	8	18	8	18	8		
H.A.A.	4	2	0	0	0	2	5	13	L		Q	4	4	4			4		
Car Allowances	2	4	4	4	0	2	2	18	L		B	4	4	4	4	4	4		
Subsistence	2	2	4	4	4	6	2	22	L		B	3	3	3	3	3	3		
Car Assisted Purchase Scheme	2	4	2	0	0	2	2	12	L		T	1	1	1	1	1	1		
Car Loans	2	2	2	2	0	2	2	12	L		T	4	4	4	4	4	4		
Treasury Management	2	10	4	2	0	2	1	21	L	M	A	10 or 6	6	10	6	10	6		
Inventories	2	2	4	2	2	0	2	12	L		T	7		7					
Bank Reconciliation	2	10	4	2	2	2	2	24	L	M	B	5 or 3	3	3	3	3	3		
Insurance's	2	4	2	0	2	4	4	18	L		T	4	4	4	4	4	4		
Grant Claims	2	4	0	0	0	0	5	11	L		Q	1	1	1					
Capital Accounting	2	2	4	2	3	0	1	14	L		B	A/Comm							Audit Comm
Budgetary Control	2	10	4	4	8	4	1	33	M	M	A	8 or 5	8	5	8	5	8	8	
Accounting System	2	10	10	2	0	2	1	27	M	M	A	12 or 8	12	8	12	8	12	8	
VAT.	2	8	8	2	0	2	3	25	L		B	5		5		5			

AUDIT CATEGORY	CE	VA	VO	SA	PW	SE	TA	SCORE	RISK	Material System	Frequency	Allocated Days	Year 1	Year 2	Year 3	Year 4	Year 5	Remarks	
Property:																			
Asset Management System	4	4	2	4	6	2	3	25	L		B	6	6		6		6		
Industrial Estates	6	4	4	2	2	4	1	23	L		B	Debtors							incl Debtors
Land Sales	8	8	2	6	6	6	0	36	M		A	5 or 3	5	3	5	3	5		
Information Technology Services																			
Freedom of Information	4	2	2	2	2	0	2	14	L		B	4	4	4	4	4	4		
Telecommunications	2	2	2	2	0	2	4	14	L		T	5	5			5			
IT Strategy	4	4	2	2	0	2	2	16	L		B	1	1	1	1		1		
Data Protection	4	2	2	2	0	2	2	14	L		B	4	4	4	4	4	4		
IT Disaster Recovery	8	4	2	6	6	6	2	34	M		B	2	2				2		
Organisational Development																			
Contracts of Employment	4	0	2	2	0	2	3	13	L		B	1	1	1	1	1	1		inc Payroll
Criminal Records Bureau Checks	4	0	2	2	0	2	3	13	L		B	1	1	1	1	1	1		inc Payroll
Data Quality	2	0	6	8	0	2	2	20	L		B	5	5		5		5		
Performance Management Framework	2	0	6	2	0	2	5	17	L		B	5							
CORPORATE MANAGEMENT																			
Risk Management	4	6	2	4	6	4	1	27	M		B	5	5		5		5		
Corporate Governance Assurance Framework	4	6	0	8	0	4	1	23	L		B	3	3		3		3		
Partnerships and Funding	4	8	4	4	0	4	1	25	L		A	3	3	3	3	3	3		
Local Strategic Partnership (LAA Acct Body)	4	6	4	4	0	4	1	23	L		B	4	4	4	4	4	4		
Disaster Planning	6	8	4	4	6	4	2	34	M		B	3	3		3		3		
Special Areas:																			
Contract - Corporate Services Partnership	10	10	10	10	0	8	2	50	H	M	A	30 or 20	30	20	30	20	30		
To be Specified:																			
Misc Audits													2	3	2	5	6		
Specific VFM work													30	30	30	30	30		
SDDC Risk Register													35	25	35	25	35		
Fraud and Corruption Audits													3	3	3	3	3		
Risk H - High, M - Medium, L - Low													325	325	325	325	325		
Frequency: A - Annual, B - Biennial																			
T - Triennial, Q - Quadrennial and C - Quinquennial																			

FACTOR	SCORING				WEIGHTING	
	Abbr	Max Score	Score range	Application	Factor	Explanation
Control Environment	CE	10	0 - 5	0 = high, dept control influence 5 = very low	x2	Less significant than some other factors
Value	VA	10	0 - 5	0 = very low value 5 = very high	x2	has direct relationship with materiality of any control failure
Transaction Volume	VO	10	0 - 5	0 = very low value 5 = very high	x2	has direct relationship with materiality of any control failure
System Assessment	SA	10	0 - 5	0 = no weaknesses 5 = very serious	x2	has a direct influence on the risk assessment
Known problems	PW	15	0 - 5	0 = no problems 5 = very serious current problems	x3	is directly related to the assessment of risk
Sensitivity	SE	10	0 - 5	0 = very low 5 = very high	x2	is directly related to the assessment of risk
Audit History	TA	5	0 - 5	0 = under continual review 5 = not audited for over 5 years	x1	less significant than some other factors
		70				

Score range	Risk	Abbr
0 - 25	low	L
26 - 45	medium	M
46 +	high	H

AUDIT CATEGORY	Days	Sub Total			%
Total available days less leave etc	620		20	640	
PLANNED AUDITS/ AUDIT WORK					
Systems	190				
Regular & Ad Hoc audit work	70				
Risk Register & V.F.M work	65	325	325		50.78%
CONTINUOUS AUDIT					
a. Routine Checks	2				
b. Small Systems Review	2	4	4		0.63%
SPECIALIST AREAS					
a. Computer					
i. Development	32				
ii. Audit	18				
iii. Specialist Audit	20	70	70		10.94%
b. Contract					
i. Final Account/Procedure Rules	32				
ii. Current Audit	12	44	44		6.88%
MANAGEMENT					
Audit	45				
Other	15	60	60		9.38%
OTHER					
Special Investigations	28				
Contingency	12	40	40		6.25%
TRAINING, FURTHER EDUCATION ETC					
Seminars and Meetings	15	15			
Training -C.P.E	10				
Further Education	0				
In-House	15	25	40		6.25%
ROUTINE DUTIES					
External Audit		8			
General Office Duties		8			
Internal Check-Payroll		1			
Cash Office Duties		4			
Procurement		2			
Paid Cheque enquiries		3			
Security		9			
Other		22	57		8.91%
TOTAL			640		100.00%
Revisions to the plan are in bold type					

AUDIT CATEGORY	Material System	Frequency	Allocated Days	2010/11 Work Plan	SYSTEM EVALUATION & TESTING	NEW SYSTEM DOCUMENTATION AND IAS Work	REGULAR & AD HOC AUDIT WORK	TOTAL	REMARKS
CHIEF EXECUTIVE									
Legal and Democratic Services									
Democratic Services									
Register of Electors		B	5					0	
Elections		B	3					0	
Legal									
Land Charges		B	5					0	
Members Allowances		B	3					0	
COMMUNITY SERVICES									
Planning Services									
Building Control Fees		B	2	2			2	2	
Planning Fees		B	2	2			2	2	
Planning Income		Q	Cash					0	included with Cash
Section 106 Agreements		B	6					0	
Environmental Services									
Trade Refuse/Recycling		B	2					0	
Refuse collection		B	2					0	
Transport		T	6					0	
Vehicle Workshops		T	2					0	
Improvement Grants		B	10	10	10			10	
Lullington Gypsy Site		T	2	2			2	2	
Licensing		A	8 or 4	8	8			8	New - Legislation
General (pest control)		Q	1					0	
Leisure and Community Development									
Parks and Open Spaces		B	5					0	
Grounds Maintenance		T	4					0	
Leisure Centre - Client		T	Contract					0	Contract Audit
Cemeteries		T	5					0	
Allotments		Q	1					0	
Markets		T	Contract					0	Contract Audit
Civic Halls - Swadincote Town Hall		T	1					0	
Etwall Leisure Centre		A	8	8	8			8	req Annual
Rogston Forestry Centre		A	5	5			5	5	
Partnerships		A	8	8	8			8	LAA, CCF, WPEG etc
Housing Services									
Rent accounting	M	A	15 or 7	7	7			7	JWA - Material Audit
Housing Administration		B	4					0	
Foston Gypsy Site		T	3	3			3	3	
Warden Controlled Schemes		T	2					0	
Housing Repairs		A	10 or 6	10	10			10	
Sale of Council Houses		Q	2	2			2	2	part incl cash
CORPORATE SERVICES									
Customer Services									
N.N.D.R	M	A	10 or 6	6	6			6	JWA - Material Audit
Cash	M	A	12 or 6	6	6			6	JWA - Material Audit
Housing Benefits	M	A	18 or 8	8	8			8	JWA - Material Audit
Bus Passes		Q	1					0	
Council tax	M	A	15 or 8	8	8			8	JWA - Material Audit
Customer Relationship Management		A	6	6	6			6	
Print Facility		T	5					0	
Finance and Property Services									
Finance:									
Sundry Debtors	M	A	12 or 7	7	7			7	JWA - Material Audit
Payroll (Salaries)	M	A	10 or 6	6			6	6	JWA - Material Audit
Payroll (Wages)	M	A	10 or 6	10	10			10	JWA - Material Audit
Creditors	M	A	18 or 8	8	8			8	JWA - Material Audit
H.A.A.		Q	4					0	
Car Allowances		B	4	4			4	4	

AUDIT CATEGORY	Material System	Frequency	Allocated Days	Year 1	SYSTEM EVALUATION & TESTING	NEW SYSTEM DOCUMENTATION AND IAS Work	REGULAR & AD HOC AUDIT WORK		REMARKS
Subsistence		B	3	3			3	3	
Car Assisted Purchase Scheme		T	1	1	1			1	New Scheme
Car Loans		T	4	4			4	4	
Treasury Management	M	A	10 or 6	6	6			6	JWA - Material Audit
Inventories		T	7					0	
Bank Reconciliation	M	B	5 or 3	3	3			3	JWA - Material Audit
Insurance's		T	4					0	
Grant Claims		Q	1					0	
Capital Accounting		B	A/Comm					0	External Audit
Budgetary Control	M	A	8 or 5	8	8			8	JWA - Material Audit
Accounting System	M	A	12 or 8	12	12			12	JWA - Material Audit
VAT		B	5					0	
Property:									
Asset Management System		B	6	6	6			6	
Industrial estates		B	Debtors					0	
Land Sales		A	5 or 3	5			5	5	
Information Technology Services									
Freedom of Information		B	4	4	4			4	
Telecommunications		T	5	5	5			5	
I T Strategy		B	1	1	1			1	
Data Protection		B	4	4	4			4	
I T Disaster Recovery		B	2	2	2			2	
Organisational Development									
Contracts of Employment		B	1	1			1	1	included with Salaries
Criminal Records Bureau Checks		B	1	1			1	1	included with Salaries
Data Quality		B	5	5	5			5	
Performance Management Framework		B	5					0	
CORPORATE MANAGEMENT									
Risk Management		B	5	5			5	5	
Corporate Governance Assurance Framework		B	3	3	3			3	
Partnerships and Funding		A	3	3	3			3	
Local Strategic Partnership (LAA Acct Body)		B	4	4	4			4	
Disaster Planning		B	3	3	3			3	
Special Areas:									
Contract - Corporate Services Partnership	M	A	30 or 20	30	10		20	30	
To be Specified									
Misc Audits				2			2	2	
Specific VFM work				30			30	30	
SDDC Risk Register				35			35	35	
Fraud and Corruption Audits				3			3	3	
Risk H - High, M - Medium, L - Low				325	190	0	135		
Frequency: A - Annual, B - Biennial							325	325	
T - Triennial, Q - Quadrennial and C - Quinquennial									