
Meeting: **Audit Committee**

Date: **21 September 2009**

Subject: **2009-10 Audit Plan**

Report of: **Director of Corporate Resources**

Summary: This report outlines the approach adopted for creating the audit plan for Central Bedfordshire for 2009/10, and outlines work undertaken to date.

Contact Officer: Nick Murley, Assistant Director of Audit and Risk

Public/Exempt: Public

Wards Affected: All

Function of: Audit Committee

RECOMMENDATIONS:

That the Audit Committee

- 1. Approves the 2009/10 Audit Plan.**
- 2. Notes progress made to date.**

Background

1. The Local Government Act 1972 requires that local authorities have arrangements in place for the proper administration of their financial affairs. More specifically the Accounts and Audits Regulations 2003 requires that a relevant body shall maintain an adequate and effective internal audit of its accounting records and its system of internal control in accordance with the proper audit practices.
2. As a means to achieve this, the Internal Audit Charter presented to the Audit Committee on 6 April 2009, established the authority and responsibility to Internal Audit. The Charter outlines how Internal Audit will use that authority to plan and undertake its work, including the preparation of an annual audit plan.
3. A report outlining the work to be undertaken during the first six months was presented to the Committee on the 6 April 2009.
4. This report outlines the work undertaken by the team to date and presents a more detailed 2009/10 audit plan, for consideration and approval by the Committee.

2009/10 Audit plan

Available Resources

5. The total available days for 2009/10 are 2,342, based on a fully staffed team. The table below shows how these days have been apportioned:

	Days	Percentage
Productive Audit days	1,484	63%
Training and development	129	6%
Staff Management	30	1%
General administration	249	11%
Annual Leave and Sickness	404	17%
Other non productive time	46	2%
Total	2,342	100%

6. As a recently established team, in the first year it has been necessary to commit resources to staff training and development, in addition to developing new audit software to produce consistent audit reports and management information.
7. There has also been the need for ex county staff to learn some of the ex district services and functionality and visa versa and having staff at three different locations has hampered this learning process. Recognising this fact we have relocated the whole team to Borough Hall. As a result of all of the above, the productive days available are less than a typical year.
8. To add to this shortfall there have been two recent staff resignations and we are currently out to recruit to these posts. The resignations will have an impact on the resources available this year due to the delay in filling the posts.
9. The target for productive audit days for 2010/11 will be 75% and 80% the year after as the new training, management and learning aspect of the work reduces.

Audit Needs Assessment

10. A detailed Audit Needs Assessment for Central Bedfordshire is currently being undertaken, and this is reported in more detail elsewhere on this agenda. However, the risk assessment work undertaken to date has identified some key areas that have been reflected in the 2009/10 audit plan.
11. It is anticipated that a three year plan, covering the period April 2010 – March 2013 will be presented to the Committee in January, once the Audit Needs Assessment has been fully completed.

Detailed 2009/10 Audit Plan

12. It is inevitable that the core work of the internal audit team for 2009/10 will be around the core financial systems as we recognise all of the changes introduced for the new Central Bedfordshire council. The Audit Plan has been prepared using risk assessment principles and these core systems factor high in our assessment. Discussions have also been held with the Audit Commission and agreement reached on the areas that would form part of the managed audit arrangements.
13. The plan also focuses on key risk areas identified resulting from Local Government Reorganisation (LGR) as well as any outstanding high risk areas coming forward from the legacy authorities. The plan also incorporates some general system reviews, and provisions for fraud investigation work, information computer technology audits, contract audit work (including service level agreements), delivery of Financial Management Standard in Schools (FMSiS) assessments, governance and ad hoc consultancy.
14. In addition, the plan needs to be flexible to be able to reflect the changing risks and priorities of the Council. Therefore, to ensure flexibility and acknowledge that the full impact of staff resignations has still to be determined, a contingency provision of 199 days has been included within the plan, to allow some flexibility both in terms of resources available and areas to be reviewed.
15. In summary, the plan is made up as follows:

Activity	Days	Comments
Managed Audits	430	Includes core financial systems.
Assurance		
Business Transformation	15	LAA and Data Quality.
Corporate Resources	85	Purchasing Cards, Grants and Budgetary Control.
Children, Families & Learning	382	Includes FMSiS.
Adult Social Care, Health & Housing	16	Learning Disability Funding.
Sustainable Communities	15	Grants.
Governance	10	Includes Annual Governance Statement (AGS).
Service Level Agreements	10	
ICT Access & Security	30	Includes Information Security.
Special Investigations	100	Includes National Fraud Initiative (NFI) and Anti Fraud work.
Ad hoc	167	Includes Use of Resources under the Comprehensive Area Assessment (CAA).
Carry over work from legacy	25	
Contingency	199	
Total	1,484	

16. The detailed proposed audit plan is attached at Appendix A.

Progress to Date in Delivery of Plan

17. As indicated above an estimated use of internal audit resources for the first six months of 2009/10 was presented to the Audit Committee on the 6 April 2009. Below is an overall assessment of the progress made to date. Once the final 2009/10 Audit Plan has been agreed, we will begin to report to the committee some of our key performance indicators that will measure the effectiveness of our service delivery.
18. Work has commenced on documenting some of the key financial systems, including the identification of key controls and walkthrough testing to confirm the systems. This work will continue during the next quarter. Any issues of concern will be reported to relevant officers on a timely basis.
19. Since 1 April there has been ongoing work on the assessment of schools against the Financial Management Standard in Schools (FMSiS). To date, 29 toolkit assessments have been finalised this year. This includes a number of toolkits where the work commenced prior to 1 April, and also includes some toolkit assessments undertaken on behalf of Bedford Borough. Although it was originally intended that a shared service hosted by Central Bedfordshire would be established to deliver toolkit assessments for the Borough schools, it has since been mutually agreed that each authority would undertake their own assessments. However, agreement was reached whereby a small number of assessments would be undertaken by Central Bedfordshire in the first year. In addition, 5 school audit reports were finalised for site visits undertaken prior to 1 April. It is intended to completely review the audit approach in schools for future years including the extent that we use the fully accredited FMSiS assessment.
20. The Authority is required to participate in the National Fraud Initiative (NFI). This is a biannual review. The data sets required were submitted to the Audit Commission during 2008/9 by the legacy authorities. During 2009/10, work has been undertaken to investigate data matches. In addition to this, work has commenced on establishing a robust anti fraud framework and development of this will continue throughout the year. Members will recall the Audit Committee approved the Anti Fraud and Corruption Strategy and Confidential Reporting Policy for inclusion in the Constitution at its last meeting on the 27 July 2009.
21. Internal Audit has undertaken detailed reviews of both Section 28A and Section 256 agreements for the learning disability transfer of services and funding from the PCT to the local authority, at the request of the Director of Social Care, Health and Housing. This work has identified control weaknesses which will serve as "lessons learned" when drawing up similar agreements in the future. In addition, two grant claims, which required examination by Internal Audit prior to sign off, have also been completed.
22. The audit team has participated in project work, including the Purchasing Card Project and the Government Connect Code of Connection (CoCo) compliance, and has provided considerable general advice on internal controls to officers in the new authority. It is anticipated that this support will continue throughout the year.

23. In addition to the above, work has been ongoing on the Audit Needs Assessment and introducing and developing the new audit software package. This software will enable audit reports to be produced efficiently, and will facilitate the introduction of a robust performance monitoring framework. We are also looking at the potential to use it for our Health & Safety audits.

Conclusions and Next Steps

24. The 2009/10 plan sets out the fundamental areas of review that have been identified as part of the overall Audit Needs Assessment. Further work is required to develop the short to medium term plan and will involve more detailed discussions with Directors, Assistant Directors and Heads of Service to identify other areas of risk. This together with the Audit Strategy will be presented to the Audit Committee in January 2010.

CORPORATE IMPLICATIONS

Council Priorities:

The Internal Audit Plan will support all of the Council Priorities.

Financial:

Although there are no financial risks from the issues identified in the report, the outcome of implementing the audit plan is for the Council to better manage its risk thereby increasing protection from adverse events.

Legal:

None

Risk Management:

The Audit Plan is key tool that will assess and provide the assurance we require around the internal control environment that exists in the council. Failure to deliver this plan could lead to adverse financial and reputational risk.

Staffing (including Trades Unions):

None

Equalities/Human Rights:

None

Community Development/Safety:

None

Sustainability:

None