

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 28 September 2010

**BY:** Chief Executive

**SUBJECT:** Audit Plan 2010/2011

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## **1 PURPOSE**

- 1.1 To inform the Audit and Governance Committee of Internal Audit's work plan for 2010/11.

## **2 RECOMMENDATION**

- 2.1 The Audit and Governance Committee is asked to approve the Audit Plan for 2010/11.

## **3 BACKGROUND**

- 3.1 The audit plan has been adopted as a standard approach for ensuring that the internal audit service is delivered to the Council in line with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.
- 3.2 The audit plan for 2010/11 has been produced following consultation with External Audit, the Chief Executive and Executive Directors.
- 3.3 The Internal Audit Manager holds regular meetings with Audit Scotland to discuss the work of Internal Audit and to ensure that key activities and systems within the Council are adequately covered.
- 3.4 The detailed audit plan for 2010/11 is attached as Appendix A.

## **COVERAGE**

### **Main Systems**

- 3.5 Internal Audit will continue to review the Council's main systems in order to ensure that the internal controls in place are adequate and that systems are operating effectively. For 2010/11 the audit plan includes coverage of four systems based audits.

### **Statutory Audits**

- 3.6 Internal Audit undertakes audit work in respect of specific grant awards made to the Council by the Scottish Government, to ensure compliance with grant conditions.

### **Other Audits**

- 3.7 Other audits include follow-up audits and areas within the Council's activities where a review is considered beneficial.

### **Investigations**

- 3.8 A significant proportion of time has been allocated to investigations, which covers fraud and irregularity investigations, work on the National Fraud Initiative and investigations on other matters.

## **RESOURCES**

- 3.9 The Internal Audit Unit is operating with a complement of 5 staff members – four qualified auditors and one part-qualified senior audit assistant.

## **PERFORMANCE INDICATORS**

- 3.10 Internal Audit reports on the completion of the annual audit plan and on the percentage of audit recommendations accepted by Management.

## **OTHER FACTORS**

- 3.11 The Committee should note that reactive work may impact heavily on the Unit's ability to complete the audit plan. Contingency days are built in for 2010/11 in the fraud and irregularity section, but by its nature reactive work is difficult to predict.

- 3.12 The plan and its completion have added importance, given its contribution to the annual Controls Assurance Statement to be prepared at the end of 2010/11.

## **4 POLICY IMPLICATIONS**

- 4.1 None

## **5 EQUALITIES IMPACT ASSESSMENT**

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

## **6 RESOURCE IMPLICATIONS**

- 6.1 Financial - None
- 6.2 Personnel - None
- 6.3 Other - None

## **7 BACKGROUND PAPERS**

- 7.1 CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.
- 7.2 Audit Committee, 29 September 2009 – Internal Audit Strategy and Strategic Audit Plan 2009/10 – 2011/12.

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<b>DATE</b>	16 September 2010



**AUDIT PLAN**

**2010/2011**

**CONTENTS**

**PAGE**

<b>1. Introduction</b>	<b>see attached report</b>
<b>2. Main Systems</b>	<b>1</b>
<b>3. Statutory Audits</b>	<b>1</b>
<b>4. Other Audits</b>	<b>2</b>
<b>5. Other Audit Work</b>	<b>3</b>
<b>6. Best Value Audit</b>	<b>4</b>
<b>7. Investigations</b>	<b>4</b>
<b>8. Training</b>	<b>5</b>

**AUDIT PLAN 2010/2011**

<b>AUDITABLE AREAS</b>	<b>SCOPE OF THE AUDIT</b>	<b>WEEKS</b>
<b>MAIN SYSTEMS</b>		
Benefits	An integrated approach will be taken between Audit Scotland and Internal Audit for the Benefits audit.  Internal Audit will carry out detailed testing on a sample of 30 benefit cases and Audit Scotland will test a further sample of 30 cases. A joint audit report will be submitted to the Audit Committee with the findings from the audit work undertaken.	10
Debtors	A review of the internal controls surrounding the Debtors system will be carried out to ensure that sundry income due to the Council is properly identified, collected and accounted for.	8
Non-Domestic Rates	An audit of the Non-Domestic Rates system (NDR) will be carried out. The review will focus on the procedures in place for the Billing and Collection of NDR.	8
Procurement	A review of the internal controls surrounding the procurement function will be carried out.	8
<b>STATUTORY AUDITS</b>		
Miscellaneous Grants	For a number of grants awarded to the Council by the Scottish Government, Internal Audit is required to provide a statement of compliance with grant conditions on an annual basis.	6

AUDITABLE AREAS	SCOPE OF THE AUDIT	WEEKS
<b>OTHER AUDITS</b>		
Residential Homes – Older People	We will review the arrangements in place for administering residents' funds at Greenfield Park and Eskgreen residential homes for older people.	4
Awarding of Contracts – Community Housing & Property Management	An examination of the internal controls in place for the evaluation and awarding of contracts within Community Housing & Property Management will be carried out.	8
Residential Home – Young People	The audit will focus on the financial and budgetary controls operating within Pathway Resource Centre.	7
Free School Meals and Clothing Grants	A review of the internal controls surrounding the administration of free school meals and clothing grants will be carried out.	6
Asset Management	Internal Audit will report on the progress made by the Council in respect of Asset Management.	7
Electronic Management of Data	A review will be undertaken to assess the internal controls surrounding proposals for the use of electronic documents by departments.	4
Ongoing Work	Resources will be allocated to finalise audit work currently in progress.	8

AUDITABLE AREAS	SCOPE OF THE AUDIT	WEEKS
Annual Accounts Support	Internal Audit will support the annual accounts process by providing assistance with annual stocktaking. This work includes attendance at stocktakes and a review of final stock sheets.	1
Review of Previous Years' Work	Internal Audit will review the outcome of our previous years' work to ensure recommendations have been actioned as agreed and that risks accepted by management have been properly managed.	12
<b>OTHER AUDIT WORK</b>		
Community Councils & Management Committees	<p><b>Community Councils</b> – Internal Audit provides a range of services to Community Councils. This includes consultancy, a review of their annual audited accounts and undertaking audits of those Community Councils who have been unable to appoint an independent auditor for 2009/10.</p> <p><b>Management Committees</b> – Internal Audit will audit the annual accounts of Management Committees.</p>	4
Advice & Consultancy	<p><b>Tender Opening</b> – attendance at tender openings when requested by departments.</p> <p><b>Returned Cheques</b> – investigating and recording the reasons for returned cheques.</p> <p><b>Financial Reports</b> – providing departments with financial information about companies and offering advice where applicable.</p>	10

AUDITABLE AREAS	SCOPE OF THE AUDIT	WEEKS
	<p><b>Consultation on New Systems</b> – for all new systems implemented, Internal Audit will provide advice on internal control matters.</p> <p><b>Consultancy</b> – providing consultancy and training on a range of internal control issues.</p>	
<b>BEST VALUE AUDIT</b>		
Review of Performance Indicators	The audit of Statutory Performance Indicators has been planned in consultation with the Council's External Auditors. This will include a review of new or changed indicators together with those, which were X rated or Fail to Return (FTR) in the previous year.	5
How Good is Our Council (HGIOC)	The Council is in the process of introducing a self-evaluation framework (HGIOC) to promote performance improvement across all services. A review of the arrangements in place will be undertaken by Internal Audit.	7
<b>INVESTIGATIONS</b>		
General	Internal Audit has responsibility for investigating suspected fraud and irregularity as directed by the Financial Regulations. The Internal Audit Manager has a specific duty of probity on behalf of the Council in these matters. Instances of perceived irregular or fraudulent activity require to be examined at an early stage and as such this work is reactive in nature.	30

<b>AUDITABLE AREAS</b>	<b>SCOPE OF THE AUDIT</b>	<b>WEEKS</b>
National Fraud Initiative	Internal Audit participates in the National Fraud Initiative, which is organised by the Audit Commission and coordinated for Scottish Local Authorities by Audit Scotland. This initiative seeks to identify potential frauds by matching data held within the Council to that held by other bodies.	10
<b>TRAINING</b>		
Training	An adequate allocation of budget resources and time will be given to maintain and improve the knowledge base and quality of the staff resource. All Internal Audit staff members are expected to engage in continuous professional development (CPD).	8