

Audit Committee – 28 February 2011

INTERNAL AUDIT WORKPLAN 2011-12

Exempt from publication by virtue of paragraphs 1, 2 and 7 of Part 1 of Schedule 12a of the Local Government Act 1972.

Summary of report:

This report seeks the committee's formal endorsement of the internal audit workplan coverage for 2011/12.

Background papers:

Audit plans, risk assessment, risk registers, council and cabinet papers.

Recommendations:

1. To endorse the internal audit workplan for 2011/12.
2. To note the contents of the internal audit charter.



James Walsh – Assistant Director - Finance

10 February 2011

Background

The audit committee on the 18 January 2011 received, for consideration, the proposed internal audit workplan coverage for 2011/12. The committee was advised that subject to any comments it may have, the proposed plan would be forwarded to executive directors for discussion at their directorate management team meetings.

This process has now been completed with auditors attending several team meetings to explain the coverage and receive feedback/comments on the content. These have been incorporated into the revised workplan now presented for the committee's endorsement and detailed at **Appendix 1**. The amendments to the plan previously considered by the committee in January are shown at **Appendix 2**.

The computer audit plan is subject to review and the revised plan, once finalised, will be reported back to committee.

The workplans will be considered by the corporate management team shortly.

The Internal Audit Charter is attached at **Appendix 3**.

Internal Control Environment

The assurance work carried out by internal audit assists in providing an independent and objective opinion on the effectiveness of the council's internal control environment.

The internal audit opinion also contributes to the annual governance statement signed by the leader, chief executive and section 151 officer.

Governance Issues

The audit committee's activities include ensuring that an effective internal control environment is maintained and regular and ongoing scrutiny of internal audit work undertaken.

The Accounts & Audit Regulations 2003, as amended by the 2006 regulations, require councils to maintain an adequate and effective system of internal audit of accounting records and system of internal control in accordance with proper practices in relation to internal control. Under s151 of the Local Government Act 1972, the council has designated the assistant director - finance as the chief finance officer, who is responsible for making arrangements for the proper administration of the council's financial affairs.

Resource and Legal Considerations

The cost of providing internal audit is fully charged to services based on audit activity.

Citizen Impact

Internal audit work is intended to ensure that effective systems of internal control are in place. This protects the council and its officers and provides an assurance to stakeholders and citizens regarding the security of our operations.

Performance Management and Risk Management Issues:

Many audit committee activities are an important and integral part of the council's performance management and corporate governance frameworks. The internal audit strategic plan is risk assessed to ensure those areas most at risk are examined as a priority.

Equality implications:

None arising from this report.

Consultation:

The proposed annual work plan 2011/12 has been discussed with executive directors and senior managers prior to formal approval by the council's S151 officer.

Authors

Rebecca Neill – Head of Internal Audit

☎ 01922 652831

✉ neillr@walsall.gov.uk

Charles Barber – Audit Manager

☎ 01922 652932

✉ barberc@walsall.gov.uk

Mandy Arrowsmith – Principal Auditor

☎ 01922 652905

✉ arrowsmithm@walsall.gov.uk

ALL

TASK	No of Days
Accounts Payable	30
Accounts Receivable	30
Advisory & Related Client Services	68
Anti Fraud Pro-Active Work	40
Budget Management	20
Capital Programme / Project Management	25
Contract Systems	50
Controls Optimisation	40
Customer Consultation	10
Customer Engagement	15
Data Matching - National Fraud Initiative	10
Employee Performance Assessment	10
Financial Procedures	5
Follow Up of Agreed Actions	139
Grants	40
Inventories / Stock	15
Investigation of Fraud & Corruption and Other Irregularity	694
Payroll	35
Performance Management	20
Recruitment & Selection	15
Review of Risks not Otherwise Covered in Audit Universe	15
Strategic Fundraising	8
Think Walsall	8
Travel & Subsistence	5
Value for Money	40
Workforce Management	10
TOTAL	1397

Computer Audit	
Acquisition & Disposal of Information Assets	15
Fiscom, Nurciss and Paris	16
Housing Benefits (SX3)	18
IT Strategy & Governance	6
Mayrise	12
Oracle Financials : General Ledger	19
Physical & Environmental Security	8
Virtualisation (Server and Desktop)	16
TOTAL	110

LOWER RISK AUDITS NOT TO BE UNDERTAKEN DUE TO LACK OF RESOURCES

TASK	No of Days
Automatic Time & Attendance Recording (ATAR)	5
Capital Receipts	10
Petty Cash	10
Regulation of Investigatory Powers Act 2000	10
TOTAL	35

CHILDRENS SERVICES

TASK	No of Days
Children & Young People's Plan	8
Childrens Fund (Exit Arrangements)	5
Childrens Partnership	5
Eldon (Residential Care)	8
Initial Response Service	5
Out of Borough Placements	8
Redruth Road (Residential Care)	8
Safeguarding - Family Support	8
Sure Start / Children's Centres	15
Vulnerable Children	8
TOTAL	78

Schools:	
Alumwell Infants	5
Barcroft JMI	5
Beacon JMI	5
Bloxwich JMI	5
Butts JMI	5
Caldmore JMI	5
Elmore Green JMI	5
Green Rock JMI	5
Greenfield JMI	5
Holy Trinity Infants	5
King Charles JMI	5
Kings Hill JMI	5
Leamore JMI	5
Lodge Farm JMI	5
Manor JMI	5
Meadow View JMI	5
Millfield JMI	5
Moorcroft Wood JMI	5
Mossley JMI	5
New Invention Infants	5
North Walsall JMI	5
Radleys JMI	5
Rough Hay JMI	5
Salisbury JMI	5
St Giles JMI	5
St James JMI	5
St Marys the Mount JMI	5
St Patricks JMI	5
Walsall Wood JMI	5
Whitehall Junior	5
School's General and Follow Up	20
Schools' Advice and Support	20
TOTAL	190

LOWER RISK AUDITS NOT TO BE UNDERTAKEN DUE TO LACK OF RESOURCES

TASK	No of Days
Family Learning & Support (inc Family Matters)	5
Hilton Road (Residential Care)	8
Lichfield Road (Residential Care)	8
Outreach Services	5
Spindle Tree Rise (Residential Care)	8
TOTAL	34

NEIGHBOURHOOD SERVICES

TASK	No of Days
Area Partnerships	12
Bloxwich Leisure Centre	6
Bloxwich Library	8
Bus Service Operators Grant	5
Catering Establishment	15
Community Development Team	7
Coroner	8
Countryside Management	8
Darlaston Leisure Centre	6
Gala Baths Leisure Centre	6
Mobile Library	8
Oak Park Leisure Centre	6
PFI - Streetlighting	9.75
Recycling	8
Resilience	10
Safer Communities	9.75
Skip Permit Income	5
Sports & Leisure Development	9
Walsall Lifelong Learning Alliance	12
Walsall Museum	8
Waste Management - Landfill & Disposal Sites	10
TOTAL	176.5

LOWER RISK AUDITS NOT TO BE UNDERTAKEN DUE TO LACK OF RESOURCES

TASK	No of Days
Allotments	6
Delegated bank account (Fleet)	5
Delegated Bank Account (Sports)	5
Music Support	8
New Roads & Street Works Act (NRSWA)	10
School Library Support Service	8
Town Hall Lettings	5
TOTAL	47

REGENERATION

TASK	No of Days
Asset / Office / Facilities Management	9
Building Design	10
Building Services	15
Estate Management (incl Land Terrier & Land Sales)	10
Homelessness	8
Private Sector Renovation Grant	8
Regeneration - Delivery & Development (Strategic Regeneration Framework)	20
Regional Housing Pot	14
Strategic Regeneration (Economic & Strategy)	11
Transportation Strategy	10
TOTAL	115

LOWER RISK AUDITS NOT TO BE UNDERTAKEN DUE TO LACK OF RESOURCES

TASK	No of Days
Almshouses	5
Construction Industry Tax	6
Delegated Bank Accounts (Cleaning)	5
Gypsy and Travellers	8
Homelessness - Bank Account	5
Sandwell House (Homelessness Establishment)	8
TOTAL	37

RESOURCES

TASK	No of Days
Audit Committee Reports/Attendance	60
Bank Account Reconciliations	8
Benefits - Board and Lodge	8
Benefits - Fraud Investigation Team	8
Benefits - Housing and Council Tax	30
Capital Accounting	8
Cash & Bank (Banking Hall / Income Management System)	20
Council Tax / National Non Domestic Rates (NNDR)	30
Equalities	10
Insurance	7
Leasing	7
Marketing / Communications	8
Nominal Ledger & Central Accounting	20
Pay & Grading inc Single Status	10
Pensions	10
Print & Design Unit	10
Procurement	20
Scrutiny	10
Training & Development	7
Treasury Management	10
TOTAL	301

LOWER RISK AUDITS NOT TO BE UNDERTAKEN DUE TO LACK OF RESOURCES

TASK	No of Days
Cash Collection (Contractors)	5
Cheques	3
Conveyancing Section	6
Central Support Services Recharges	6
Legal & Administration - Bank Account	5
Legal Services	8
Benefits - Returned Cheques	7
Travel Warrants	5
VAT	10
Welfare Rights	10
TOTAL	65

SOCIAL CARE & INCLUSION

TASK	No of Days
Access, Assessment & Care Management	15
Fallings Heath (Residential Care)	8
Goscote Centre (Day Care)	8
Hollybank House (Residential Care)	8
TOTAL	39

LOWER RISK AUDITS NOT TO BE UNDERTAKEN DUE TO LACK OF RESOURCES

TASK	No of Days
Bank Accounts	10
Carers' Grant	8
Grants & Loans	8
TOTAL	26

Internal Audit**Amendments to 2011/12 Audit Plan Previously Considered by Audit Committee on 18 January 20**

Directorate	Task
Childrens Services	Childrens Partnership Children & Young People's Plan Childrens Fund (Exit Strategy) Sure Start / Children's Centres Park Hall Infants
Neighbourhood Services	Bentley Leisure Centre Walsall Lifelong Learning Alliance
Resources	Pay & Grading inc Single Status
All	Investigation of Fraud & Corruption and Other Irregularity

Appendix 2

11

Adjustment
-7.0
-2.0
5.0
5.0
-5.0
-6.0
12.0
10.0
-12.0
0.0

Walsall Council

INTERNAL AUDIT CHARTER

1. Introduction

- 1.1 This charter describes the purpose, authority and principal responsibilities of the Council's internal audit service.
- 1.2 The main determinant of the effectiveness of internal audit is that it is seen to be independent. To ensure this, internal audit will operate within a framework that allows:
 - unrestricted access to all levels of management;
 - reporting in its own name; and
 - segregation from line operations.
- 1.3 Every effort will be made to preserve objectivity by ensuring that all audit members of staff are free from any conflicts of interest and do not undertake any non-audit duties, with the exception of high-priority duties and the exigencies of the service.
- 1.4 All internal audit activity is carried out in accordance with financial and contract rules (August 2006), with specific authority for internal audit contained in financial and contract rules and under the Accounts & Audit Regulations 2003, as amended by the Accounts & Audit Regulations 2006.
- 1.5 The existence of internal audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.
- 1.6 The service operates to the standards defined in the CIPFA Code of Practice for Internal Audit in Local Government 2006.

2. Objectives of internal audit

- 2.1 As an independent assurance function within the Council, the primary objective of internal audit is to review, appraise and report upon the adequacy of the Council's internal control environment as a contribution to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:
 - support the responsible financial officer to discharge duties as proper officer;
 - support the delivery of corporate objectives, working smarter aims and the continuous improvement agenda; and
 - provide a special investigation service that safeguards the public purse.

Walsall Council Internal Audit Charter

3. Scope of internal audit

- 3.1 The scope of internal audit allows for unrestricted coverage of all the Council's activities and unrestricted access to all staff, records and assets including those of partner organisations. It is authorised to obtain such information and explanations necessary to fulfil its responsibilities.

4. Location of internal audit

- 4.1 Internal audit is located within the central offices of the Council and is an independent service function within the resources directorate, reporting directly to the responsible financial officer (the assistant director of finance).

5. Internal audit responsibility

- 5.1 The main areas of internal audit responsibility within the Council are to:
1. review, appraise and report on:
 - the extent to which council assets and interests are accounted for and safeguarded from loss;
 - the soundness, adequacy and application of internal controls;
 - the suitability and reliability of financial and other management data, including aspects of performance measurement;
 2. devote specific resources to securing best value within the Council;
 3. support high priority corporate initiatives;
 4. investigate all reported frauds and irregularities;
 5. advise on internal control implications of new systems; and
 6. provide ad-hoc consultancy, advice and assistance as required.

6. Audit style and content

- 6.1 The primary task of internal audit is to provide an assurance function in relation to the systems of internal control operating throughout the Council, and in this will adopt a predominantly systems-based approach to audit.

Walsall Council Internal Audit Charter

6.2 The head of internal audit will be required to manage the provision of a complete audit service to the Council that will include systems, regularity, computer and contract audit and special investigations. In discharge of this duty, the head of internal audit will:

- prepare a strategic risk-based audit plan in consultation with senior management. This strategic plan will be regarded as flexible rather than as an immutable expression of audit policy;
- translate the strategic plan into annual operational plans for formal agreement with executive directors and directorate senior managers;
- ensure a system of close supervision of audit work, and maintain a review of audit files through the supervisory structure;
- ensure that systems of computer and contract audit within the Council are implemented and maintained;
- ensure that audits incorporate relevant value for money and performance management considerations where the achievement of economy, efficiency and effectiveness will be reviewed;
- ensure specific resources for the investigation of fraud and irregularity;
- prepare quarterly reports on the audit function for the Audit Committee, the responsible financial officer and directorate management teams;
- provide an annual opinion on the level of assurance that can be placed on the internal control environment, based on internal audit work for the year. This also contributes to the annual governance statement presented to the Audit Committee; and
- The head of internal audit will have direct and unrestricted access, as necessary, to all members and officers and report in his/her own name.

7. Audit independence

7.1 Internal audit will not normally participate in the day-to-day operation of any systems of internal financial control. However, in strict emergency situations only, audit personnel may be called upon to carry out non-audit work on a short-life basis. They will not then undertake any audit review work for a period of two years where they have been so involved. Similarly, internal audit contractors will not be assigned audit work in areas where they have provided non-audit consultancy work within the last two years.

Walsall Council Internal Audit Charter

- 7.2 Members of the internal audit service will sign an annual certificate of auditor independence or, alternatively, advise the head of internal audit of situations where such independence may be compromised.
- 7.3 Sufficient resources will be made available to enable internal audit to operate effectively and maintain organisational independence.
- 7.4 Members of the internal audit service will be expected to contribute to the general management and conduct of business through membership of working groups and participation in ad hoc exercises.
- 7.5 To maintain objectivity, audit staff will not undertake the same audit for more than three consecutive years, other than specialist computer and contract audit work.

8. Internal audit resources

- 8.1 Internal audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to professional standards. Internal auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.
- 8.2 The head of internal audit is responsible for appointing the staff of the internal audit service and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The service maintains an annually updated training and development plan which sets out an ongoing development programme for internal audit staff.
- 8.3 The head of internal audit is responsible for ensuring that internal audit resources are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby he/she concluded that resources were insufficient, this must be formally report this to the chief executive, the responsible financial officer (section 151 officer), and, if the position is not resolved, to the Cabinet.
- 8.4 The head of internal audit will liaise appropriately to ensure that the internal audit service does not unnecessarily duplicate work undertaken by external auditors and inspectors.

9. Audit reporting and follow-up

- 9.1 Planned audit reviews will be undertaken after a written terms of reference is agreed with the relevant manager(s). This will detail audit objectives, scope, timing, resources and reporting requirements.

Walsall Council Internal Audit Charter

- 9.2 All audit assignments will be the subject of formal reports that are agreed with the managers responsible for the area under review. A copy of the final audit report will also be sent, as appropriate, to senior directorate manager(s). Reporting protocols will continue to be established when requested by senior directorate managers.
- 9.3 Internal audit aims to issue audit reports within 10 working days of completing its fieldwork. All reports will include an action plan incorporating managers' comments.
- 9.4 Internal audit will ask managers to formally confirm:
- that their responses have been accurately recorded in the audit report; and
 - that the agreed action plan has been implemented, after a reasonable period has elapsed.
- 9.5 To evidence implementation by relevant managers, internal audit will formally follow up, and report upon, 3* (high priority) agreed audit report actions.
- 9.6 Internal audit will send quarterly schedules to directorate management teams detailing issued reports, agreed actions confirmed as implemented by managers and actions actually found to have been implemented by internal audit.
- 9.7 Each quarterly schedule will be signed by the executive/assistant directors and returned to internal audit. By signing the schedule, this will signify that each executive/assistant director is satisfied that appropriate action is being taken by their managers to implement agreed audit report actions.

10. Audit Committee

- 10.1 The Council's Audit Committee receives routine monitoring reports detailing internal audit progress during the year and receives reports on audit findings, including managers' actions in implementing agreed action plans.

11. Fraud and corruption

- 11.1 Managing the risk of fraud and corruption is a management responsibility. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal audit does not have responsibility for the prevention or detection of fraud and corruption. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. Internal audit may be requested by management to assist with fraud related work.

Walsall Council Internal Audit Charter

- 11.2 The head of internal audit has made arrangement to be informed of all suspected or detected fraud, corruption or improprieties so that he/she can consider the adequacy of the relevant controls, and evaluate the implication of fraud and corruption for his/her annual overall opinion on the adequacy of the internal control environment.

12. Confidentiality

- 12.1 Internal audit will maintain the confidentiality of all information gathered during audit reviews except as the head of internal audit is required to co-operate, in an open and honest manner, with external auditors / inspectors and meet legislative requirements such as the Freedom of Information Act.
- 12.2 In the interests of fostering good practice, internal auditors may discuss audit issues with auditors from other organisations. Such sharing of information will be done within the requirements of the data protection and human rights acts.
- 12.3 The head of internal audit will keep audit documentation in accordance with the Council's document retention guidelines.

13. Related documents

- 13.1 This document is one of a series that, together, constitute the policies of the Council in relation to financial regularity and anti-fraud / corruption. The other documents are:
- financial and contract rules (August 2006);
 - new contract rules (September 2010);
 - anti-fraud and anti-corruption policy;
 - whistle-blowing policy; and
 - code of conduct for employees.

February 2011