



Argyll and Bute Council

Annual Audit Plan 2009 - 2010

12<sup>th</sup> February 2009

**Draft for Audit Committee Approval**



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# 1. Foreword

The audit plan for 2009 - 2010 details year 2 of the 3 year strategic audit plan approved by the Audit Committee on the 27<sup>th</sup> of March 2008 and ensures that Internal Audit resources are effectively planned and controlled. It should be seen as a flexible management tool, which provides the following:

- A clear view of the workload of the internal audit team;
- A base for assessment of the adequacy and future deployment of internal audit resources;
- A yardstick against which progress and performance can be measured;
- Authority to act once it is approved by the Audit Committee; and
- A permanent record of the factors considered and judgements made.

The 2009 – 2010 audit plan has been compiled in accordance with the CIPFA *Code of Practice for Internal Audit in Local Government in the United Kingdom* ('the Code'). This requires the Internal Audit section to provide an objective assessment of the adequacy, reliability and effectiveness of the Council's internal control system. This strategic audit plan also takes into account the Internal Audit Mission Statement and Terms of Reference both of which have previously been approved by the Audit Committee. The plan has also been agreed by the Council's external auditors Grant Thornton UK LLP

The annual audit plan has 2 categories, core financial and non financial audits. Within the attached document is a chart showing when in 2009 – 2010 audits are planned to take place. The timing of audits was discussed with Heads of Service and line managers. However, the audits could be subject to change and timing should only be viewed as an indicator.

## 2. Internal Audit Resource Days 2009 – 2010

There are 3 elements to Table 1:

- Total working days available;
- Non-direct audit days; and
- Direct audit days.

After deductions for annual leave and other provisions a total of 1,377 working days are available for direct and non-direct audit work.

The non-direct audit day allocation covers tasks such as internal audit management, preparing committee papers, training to ensure that staff are supported in their work and general administration issues. The total day's allocated to non-direct audit for 2009 - 2010 is 238.

Direct audit days are days allocated to both core and non-financial audits. The audit days assigned includes time for Planning, Field Work, Report Writing and Management Review. In addition a number of days have been included for Contingency. The total number of days allocated to direct audits for 2009 - 2010 is 1,139, which represents 83% of total working days available.

**Table 1: Internal Audit Resources 2009 – 2010**

	<b>Audit Manager</b>	<b>Audit Manager</b>	<b>Trainee Accountant</b>	<b>Trainee Accountant</b>	<b>Senior Audit Assistant</b>	<b>Computer Audit</b>	<b>Contract Auditors</b>	<b>Total</b>
Number of Days in full year	261	261	261	261	261	28	261	<b>1, 594</b>
Less: Public Holidays	8	8	8	8	8	-	-	40
Annual Leave	32	32	32	24	32	-	-	152
Sickness Provision	5	5	5	5	5	-	-	25
Working Days Available	216	216	216	224	216	28	261	<b>1,377</b>
<b>Non-Direct Audit Work</b>								
IA Management	30	15	-	-	-	-	-	45
Planning and Reporting	25	15	-	-	-	-	-	40
Training, Development & Internal Audit Meetings	10	10	35	38	10	-	-	103
Advisory	10	10	-	-	-	-	-	20
<b>Total for Non-Direct Audit Support Work</b>	<b>85</b>	<b>60</b>	<b>41</b>	<b>44</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>246</b>
<b>Time Available for Direct Audit Work</b>	<b>131</b>	<b>156</b>	<b>175</b>	<b>180</b>	<b>200</b>	<b>28</b>	<b>261</b>	<b>1,131</b>

### **3. Assessment of Core Financial Audit Days 2009 - 2010**

In order to provide an opinion on the Council's internal controls, Internal Audit is required to take cognisance of the Council's main financial systems and their support systems. The main financial systems are as follows:

- Payroll Systems;
- Council Tax and Non-Domestic Rates;
- Main Accounting Systems;
- Creditor Payments Systems;
- Debtors
- Unified Benefits; and
- Asset Management.

Internal Audit has a responsibility to evaluate and test financial and management information systems in order to provide an opinion as to the adequacy of control within the Council. As a result of this work departmental management receive audit reports with recommendations offering advice to enable rectification of system weaknesses, improve compliance and control and reduce risk.

Internal Audit in agreement with Grant Thornton UK LLP in 2008 – 2009 adopted the CIPFA systems based audit (SBA) control matrices. This is a methodology developed by CIPFA for identifying weaknesses and risks in systems and evaluating the controls management have established, and for testing the controls to check they are working effectively in order to provide assurance to management.

The SBA control matrices cover the main fundamental financial systems such as creditors, debtors, payroll, etc. The adoption of the CIPFA control matrices is helping the section further develop its quality standards, compliance with the Code and enabling departments to gain from participating in the audit methodology. The introduction and use of CIPFA SBAs complements a goal set out in the 'Corporate Plan 2007 – 2011 and beyond' of introducing self assessment tools to strengthen the drive for continuous improvement.

The core financial audits set out below are those detailed for year 2 of the 3 year strategic audit plan, and were selected using an Audit Needs Assessment methodology of risk ranking. These audits will enable Internal Audit over the next financial year to provide an assurance statement on the Council's overall internal control framework.

**Table 2 – Assessment of Audit Days: 2009 - 2010**

<b><i>Core financial systems</i></b>	<b>Risk ranking</b>	<b>Last audited</b>	<b>2009-10</b>
Budgetary preparation and control	1	2008	40
Capital accounting	1	2008	15
Capital contracts	1	2008	15
Cash income and banking	2	2008	15
Car Allowances	2	2008	40
Contract hire and operating leases	2	2008	40
Council tax and non-domestic rates	2	2008	15
Creditor payments	2	2008	40
Debtor accounts	2	2008	15
Purchasing	2	2008	15
Unified benefits system	2	2008	15
Asset management	1	2008	15
General ledger operations	2	2008	15
Government & European Grants	1	2008	35
Payroll	2	2008	15
Treasury management	2	2008	15
Tendering procedures	1	2008	15
Payments to voluntary bodies (following the public pound)	2	2008	40
Stock taking / Work in Progress	2	2008	25
Major capital audit	1	2008	-
<b><i>Subtotal core financial systems</i></b>			<b>440</b>



#### **4. Assessment of Non Financial Audit Days: 2009 – 2010**

The Code requires that Internal Audit not only audit financial systems controls but also other systems of management control used to ensure the Council's objectives are being properly managed. That control arrangements have been established and operate within the Council to ensure that the Council's core values are being addressed.

Internal Audit, in complying with the Code, has prepared this section of the report incorporating gross high risk areas extracted from the Council Risk Register. These will be reviewed in order to provide assurance to management that control is extant. The audit plan has also taken into account the objectives set out in the Council Corporate Plan. The Council faces internal challenges to improve the efficiency and effectiveness of its operations.

The significance of Information Computer Technology (ICT) for controlling Council activities and the provision of management information is recognised in the audit plan. Internal Audit is required to review general ICT controls as well as the Council's ICT Security Strategy.

The non-financial section of the strategic audit plan also recognises activities that require to be reviewed on an annual basis. These include corporate governance, computer audit, risk management, business continuity and statutory performance indicators. CIPFA has developed a number of systems based audit (SBA) control matrices for non financial control areas, and these will continue to be adopted in 2009 - 2010.

Discussions have taken place with departmental Heads of Service in order to afford them the opportunity to identify any specific changes to the planned audit areas, new developments and offer a proposed time frame for audits. The non financial audits set out below in Table 3 are those detailed for year 2 of the 3 year strategic audit plan and have no changes.

**Table 3 – Assessment of Audit Days: 2009 - 2010**

<b>Non Financial Audit Areas</b>	<b>Risk ranking</b>	<b>Last audited</b>	<b>2009-10</b>
<b>CHIEF EXECUTIVES</b>			
Single Outcome Agreement Review	1	-	30
<b>CORPORATE SERVICES</b>			
Information Computer Technology (ICT)	2	2008	30
Business Continuity Management	1	2008	30
<b>COMMUNITY SERVICES</b>			
Adult Services Assessment & Care Management Processes	1	-	30
Foster Care Service	2	-	30
<b>DEVELOPMENT SERVICES</b>			
Partnership Project Funding	2	2007	30
<b>OPERATIONAL SERVICES</b>			
Payroll processes for catering	1	-	30
Stock control – systems leisure	2	-	30
<b>ALL DEPARTMENTS</b>			
Department Risk Plan Testing	1	2008	30
Review of HR Activities	1	2008	20
Computer Audit	2	2008	28
Department Business Continuity Plan Testing	1	2008	30
New Legislation	1	2008	30
Corporate Governance ICS	1	2008	30
Statutory Performance Indicators / Single Agreement Outcomes	1	2008	86
<b>Subtotal non-financial</b>			<b>494</b>

## 5. Assessment of Contingency Audit Days: 2009 - 2010

Audit days have been included within the annual audit plan for contingency. This is audit time for unforeseen events which, by their nature, cannot be planned for, e.g.:

- Notification of frauds, significant weaknesses or loss;
- Consideration of controls for new or amended systems; and
- Reviews of significant breakdown of internal control.

Clearly, the extent to which any contingency requirement will arise depends on the soundness of the Council's systems of control and the incidence of fraud or irregularity.

<b>Contingency days</b>	<b>2009-10</b>
Special investigations contingency	100
Follow-up external & internal audit management letter points	77
Risk assessment, strategic plan, annual plans	20
<b>Sub Total</b>	<b>197</b>

## 6. ANNUAL AUDIT PLAN 2009 – 2010

6. ANNUAL AUDIT PLAN 2009 – 2010															
Core Financial Systems	Risk Ranking	Last Audited	Audit Days 2009-10	April	May	June	July	August	September	October	November	December	January	February	March
Budgetary preparation and control	1	2008	40												▶▶
Capital accounting	1	2008	15							▶▶					
Capital contracts	1	2008	15										▶▶		
Cash income and banking	2	2008	15						▶▶						
Car allowances	2	2008	40								▶▶				
Contract hire and operating leases	2	2008	40				▶▶					▶▶			
Council tax & non-domestic rates	2	2008	15		▶▶										
Creditor payments	2	2008	40					▶▶							
Debtor accounts	2	2008	15	▶▶											
Purchasing	2	2008	15										▶▶		
Unified Benefits System	2	2008	15								▶▶				
Asset Management	1	2008	15											▶▶	
General ledger operations	2	2008	15											▶▶	
Government & European Grants	1	2008	35			▶▶									
Payroll	2	2008	15						▶▶						
Treasury Management	2	2008	15							▶▶					
Tendering Procedures	1	2008	15											▶▶	
Payments to Voluntary Bodies (Public Pound)	2	2008	40		▶▶										
Stocktaking	2	2008	25	▶▶											▶▶
<b>Subtotal Core Financial Systems</b>			<b>440</b>												
Non-Financial Audits	Risk Ranking	Last Audited	Audit Days 2009-10	April	May	June	July	August	September	October	November	December	January	February	March
Chief Executives Unit – Single Outcome Agreement Review	1	-	30							▶▶					
Community Services – Foster Care Services	2	-	30											▶▶	
Community Services – Adult Services Assessment and Care Management Processes	1	-	30										▶▶		
Corporate Services - ICT - Applications	2	2008	28						▶▶						
Corporate Services - Business Continuity Planning	1	-	30							▶▶					
Development Services – Partnership Project Funding	3	2007	30					▶▶							
Operational Services – Payroll Processes for Catering	1	-	30		▶▶										
Operational Services – Stock Control Systems Leisure	2	-	30								▶▶				
All Depts – Risk Plan Testing	1	2008	30									▶▶			
All Depts – Review of HR Activities	1	2008	20					▶▶							
All Depts – Computer Audit	2	2008	30						▶▶						
All Depts – Business Continuity Plan Testing	1	2008	30							▶▶					
All Depts – New Legislation	1	2008	30												▶▶
Corporate Governance ICS	1	2008	30	▶▶											
Statutory Performance Indicators/Single Agreement Outcomes	1	2008	86			▶▶									
<b>Sub Total Non-Financial</b>			<b>494</b>												
Contingency Days	Risk Ranking	Last Audited	Audit Days 2009-10												
Special investigations, Follow-up, Risk Assessment & Audit Planning	n/a	n/a	197												
<b>Sub Total Contingency Days</b>			<b>197</b>												
<b>Total</b>			<b>1,131</b>												