

**REPORT OF SERVICE DIRECTOR, FINANCE AND PROCUREMENT****INTERNAL AUDIT PLAN – 2012/13****Purpose of the Report**

1. To inform Members of the proposed Internal Audit Plan for the 2012/13 financial year.

**Information and Advice**

The attached Audit Plan sets out the proposed coverage of the Authority's systems and procedures for the period 2012/13. The Plan represents the Section's assessment of the key areas that need to be audited in order to satisfy the Authority's statutory responsibility to undertake an adequate and effective internal audit of its accounting records and its system of internal control.

3. Discussions about the content of the Audit Plan have been held during February and March at departmental leadership teams. Following on from this, more detailed one-to-one discussions have taken place with Service Directors. The Audit Plan is implemented flexibly, and will continue to change to ensure that any emerging priorities during the year are addressed.
4. A significant allocation of time has been made for cross-cutting issues in 2012/13. A number of High Risk areas will be reviewed focussing on the new Business Management System, budgetary control, performance management, business continuity and counter-fraud work.
5. The role of Internal Audit is to provide management with an objective assessment of whether its systems and controls are working properly. It provides an independent and continuous appraisal of the Authority's activities and in particular focuses on the internal controls established by the organisation's managers. The Section's aim is to complete the programme of planned work in order to express an overall view on the adequacy and effectiveness of the Authority's internal control systems.
6. This work is critical in enabling the County Council's External Auditors to form a view on the overall adequacy of the Council's financial controls, which in turn supports their assessment of whether or not the County Council's annual statement of accounts gives a "true and fair view," and is also a key contributory factor in the preparation of the Council's Annual Governance Statement.

7. The Plan has been compiled in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. A detailed breakdown of the plan is shown in the attached appendices, and is summarised in the table below.

**Table 1: Summary of Internal Audit Plan for 2012/13**

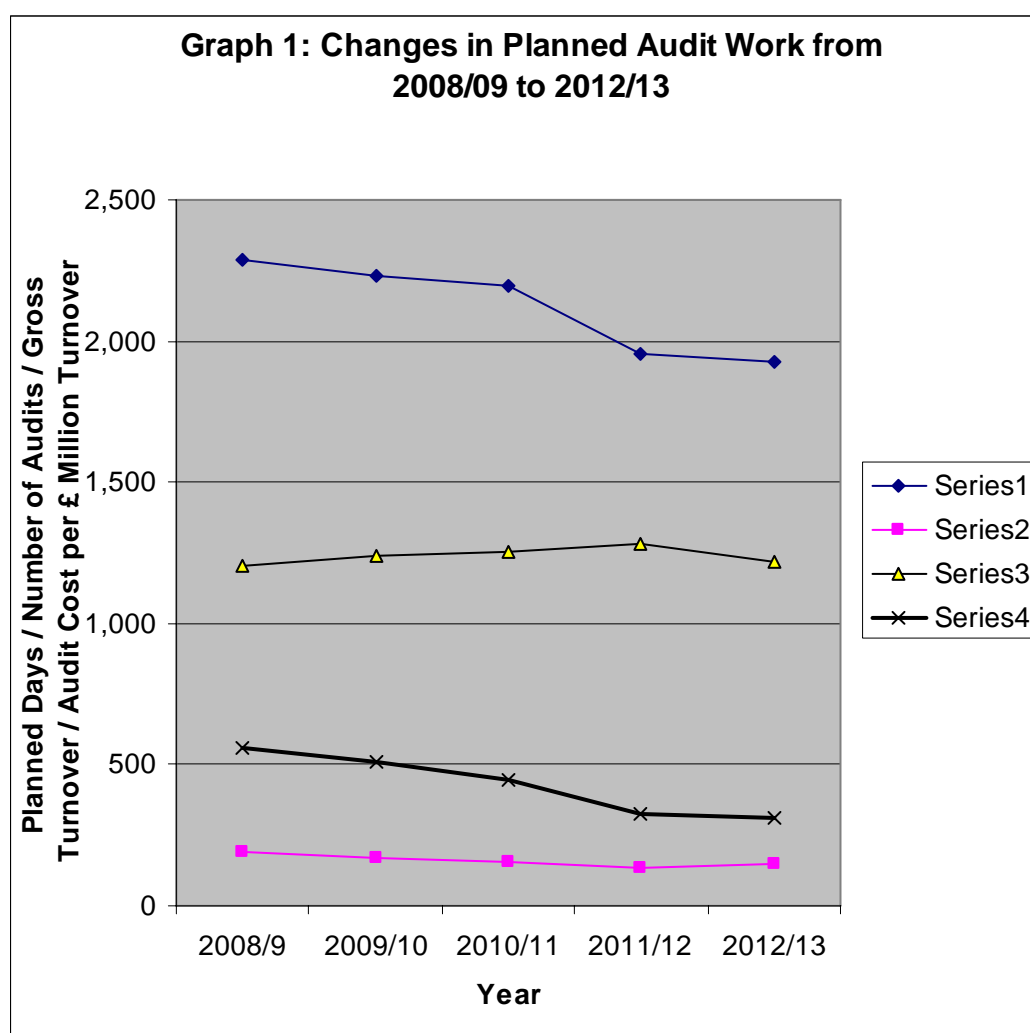
Department	Days	Number of Audits			
		High Risk	Med Risk	Low Risk	Total
Cross-cutting	247	14			14
Children, Families and Cultural Services (including schools)	602	11	63	-	74
Adult Social Care, Health and Public Protection	273	10	5	-	15
Environment and Resources	490	26	6	-	32
Policy, Planning and Corporate Services	211	12	-	-	12
Special Projects	100				
<b>Total County Council</b>	<b>1,923</b>	<b>73</b>	<b>74</b>	<b>-</b>	<b>147</b>
External Clients (Work for Fire and Gedling BC)	219				
<b>Overall Total</b>	<b>2,142</b>				

8. As can be seen from the above, a total of 2,142 days are planned for 2012/13 of which 1,923 (90%) will be spent on the Authority's systems and procedures. The remaining 219 days will be spent on external contracts providing an internal audit service to Notts Fire and Rescue Service and work for Gedling Borough Council. External contracts help the section maintain high quality services and costs are fully recovered.
9. The Audit Plan is similar in terms of the number of days and audits for 2012/13 to previous years. A big change for 2012/13 has been the increase in the number of "High Risk" areas (up from 44 in 2011/12 to 73 in 2012/13). This is mainly due to the significant levels of change experienced by the County Council – new systems, new structures and new ways of working. Table 2 sets out planned coverage in previous years, as an indicator of the changing plans over the years. This shows that there has been a gradual reduction in the number of days of Internal Audit for the County Council.

**Table 2: Changes in the Planned Audit Days, Planned Jobs, Council Gross Turnover and Internal Audit cost per £ million turnover between 2008/09 and 2012/13**

Year	Planned days	Planned audits	Council turnover (£million)	Gross Audit Cost per £m expenditure
	Series 1	Series 2	Series 3	Series 4
2008/09	2,288	191	1,201	561
2009/10	2,233	169	1,240	510
2010/11	2,196	157	1,253	448
2011/12	1,955	136	1,283	323
2012/13	1,923	147	1,215	313

This information is presented in the graph below.



10. Progress against the plan will be reported to the Council's Audit Committee and the Corporate Leadership Team on a regular basis.

### Other Options Considered

11. This report is for information and noting only.

## **Reason/s for Recommendation/s**

12. To provide information to Members on the Internal Audit Plan of work for 2012/13.

## **Statutory and Policy Implications**

13. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **RECOMMENDATION**

1) That Members note the report.

**Paul Simpson**  
**Service Director (Finance and Procurement)**

**For any enquiries about this report please contact:**

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Head of Internal Audit

## **Constitutional Comments**

This report is for noting only.

## **Financial Comments (JMB 13/4/12)**

The net budget for the provision of Internal Audit to the County Council for 2012/13 is £353k. This comprises gross expenditure of £526k and income of £173k.

## **Background Papers**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972:

None.

## **Electoral Division(s) and Member(s) Affected**

All

## Appendix

### Cross cutting areas (i.e. across departments)

Area for audit	Risk assessment	Days planned	Likely scope
<b>Business Management System Implementation</b>  BI and Reporting Property Management (rents) Procurement cards Supplier self service Pensions payroll External payrolls Schools payroll E-learning, appraisals &competency E-recruitment Adobe forms	High High High High High High High High High High	15 10 10 10 10 10 10 10 15 15	Post implementation – testing of compliance with the system, and substantive testing of outputs  Pre implementation – review the testing strategy and process map design
Budgetary control	High	40	Control, monitoring and forecasting by departmental budget holders
Performance Management	High	40	Corporate and departmental arrangements for managing performance
Business Continuity	High	30	Corporate controls and departmental arrangements for disaster recovery
Counter fraud work	High	17	Compilation and submission of National Fraud Initiative data
Financial Regulation waiver advice	Not applicable	5	Provide advice and draft annual report
<b>Total days</b>		<b>247</b>	

## Children Families and Cultural Services

Area for audit	Risk assessment	Days planned	Likely scope
<b>Children's Social Care</b>			
Placements / commissioning	<b>High</b>	15	Review of risk factors and internal control
<b>Education Standards and Inclusion</b>			
Special Educational Needs	<b>High</b>	15	Funding and commissioning
PFI partnerships and contracts	<b>High</b>	15	Contract compliance
Capital programmes - schools	<b>High</b>	8	Already underway
Early retirement and redundancy	<b>High</b>	7	Already underway
<b>Youth, Families and Culture</b>			
Libraries and Archives	<b>High</b>	15	Review of risks and internal control
Country Parks	<b>High</b>	15	As above
Early Years – Nursery providers	<b>Medium</b>	15	As above
Targeted Support & Youth Justice	<b>Medium</b>	15	As above
National Water Sports Centre – Catering and Follow up	<b>High</b>	10	Follow up of prior recommendations of 2 audits
Outdoor Education Day Centres	<b>High</b>	2	Review of risks and internal control
Youth Club Funds	<b>High</b>	10	Review of risks and internal control
	<b>Medium</b>	5	Sample check of fund accounts
<b>Other Work</b>			
LACSEG formula and impact	<b>High</b>	20	Formula compliance and impact on ISB / non ISB
Irregularity Investigations		35	To be determined as appropriate
Provision of advice and liaison with department		30	
<b>Schools</b>			
Audit of 60 schools	<b>Medium</b>	370	Review range of factors relating to School Budget Share
<b>Total days</b>		<b>602</b>	

## Adult Social Care, Health and Public Protection

Area for audit	Risk assessment	Days planned	Likely scope
<b>Personal Care and Support – Younger Adults</b> Day Care Providers  Mental Health Services  i-Work Team	High  High  High	15  15  10	Review of risk and Internal Control  Review Implementation of new arrangements  Follow up of recommendations
<b>Personal Care and Support – Older Adults</b> Home Care Providers  Equipment, Aids and Adaptations	High  Medium	15  15	Review of risk and Internal Control  Review of risk and Internal Control
<b>Promoting Independence and Public Protection</b> Services to Self-Funders  Reablement Savings Registration Services	Medium  Medium Medium	15  10 8	Effectiveness of support and consequential risk  Currently in progress Currently in progress
<b>Joint Commissioning, Quality and Business Change</b> Home Care Commissioning  Financial Assessments and Service User Contributions Safeguarding  Meals at Home Income  Meals at Home Income follow up	High  High  Medium  High  High	15  15  25  5  10	Review of risk and Internal Control  Review of risk and Internal Control  Review of Governance, risk management and Peer Review implementation  Review of risk and Internal Control  Follow up of recommendations
<b>Other Work</b> Future Demand and Costs  Monitoring of Direct Payments  Irregularity Investigations  Provision of advice and liaison with department	High  High	20  15  35  30	Planning for demographic challenge  Currently underway – follow up may be required  To be determined as appropriate
<b>Total days</b>		<b>273</b>	

## Environment and Resources

Area for audit	Risk assessment	Days planned	Likely scope
<b>Highways</b>			
Traffic Management- Street Lighting	High	15	Review part-night lighting
Highway Services	Medium	15	Review of fleet maintenance
Flood Risk Management	Medium	15	Implementation of new responsibilities
Rechargeable Works Orders	High	10	Follow up recommendations
Civil Parking Enforcement	High	3	Completion of 2011/12 audit
<b>Finance</b>			
Procurement	High	30	Review category mgmt, procurement processing and local sourcing
Pension Fund Management	High	20	Governance, policy, monitoring and control
Budgetary control	High	15	Setting, monitoring and control
<b>Transport, Property and Environment</b>			
Building Maintenance	High	15	Review partnership work
Estate Management	High	20	Health and Safety compliance
Carbon Reduction	Medium	15	Review internal control
Bus Service Operators grant	N/A	2	Grant audit
School Meals Income	High	10	Follow up
Cleaning Service	High	10	Follow up
Concessionary Fares	High	5	Already underway
Cleaning Investigation	High	4	Already underway
Property Investigation	High	10	Already underway
<b>ICT – Infrastructure</b>			
Network Controls	High	15	LAN/WAN, voice, WiFi, external connections
Operating Systems – UNIX	High	15	Access, mtce and security
Database Management	High	15	Access and change control
Email access and use	High	15	Monitoring of use and filtering
Physical and Environmental controls	High	15	Accommodation of servers
Virtual Machine Environment	High	15	Security and licensing of virtual servers
<b>ICT – Applications</b>			
Government Connect	Medium	10	Review compliance with Government standards
Electronic Document Records Management System (EDRMS)	High	10	Advice to project team
Homecare	High	15	Review risk & internal control
Careworks	High	15	Review risk & internal control



Notts Transport System	<b>Medium</b>	15	Review risk & internal control
Mobile Phones	<b>High</b>	10	Follow up
Social Care Records	<b>High</b>	10	Follow up
Internet	<b>High</b>	4	Already underway
Service Delivery	<b>High</b>	8	Already underway
Active Directory	<b>Medium</b>	7	Already underway
<b>Other Work</b>			
Irregularity Investigations		25	As required
Managed Audit work		15	Work with External Audit
Liaison with other authorities		12	Share experience / concerns
Provision of advice and liaison with department		30	
<b>Total days</b>		<b>490</b>	

### **Policy Planning and Corporate Services**

<b>Area for audit</b>	<b>Risk assessment</b>	<b>Days planned</b>	<b>Likely scope</b>
<b>HR and Customer Services</b>			
BSC Payroll	<b>High</b>	25	Compliance with process maps
BSC Accounts Payable	<b>High</b>	25	As above
BSC Competency Centre	<b>High</b>	15	Access approvals, monitoring and control
BSC Accounts Receivable	<b>High</b>	25	Compliance with process maps
Recruitment	<b>High</b>	10	Follow up
Job Evaluation in Schools	<b>High</b>	8	Completion of 2011/12 audit
<b>Assistant Chief Executive</b>			
Improvement Programme	<b>High</b>	15	To be discussed
Use of Consultants	<b>High</b>	10	Follow up
Corporate Governance	<b>High</b>	15	To be discussed
Grant Aid	<b>High</b>	5	Already underway
Strategic Plan	<b>High</b>	4	Already underway
Improvement Programme	<b>High</b>	4	Already underway
<b>Other Work</b>			
Irregularity Investigations		20	As required
Provision of advice and liaison with department		30	
<b>Total days</b>		<b>211</b>	