

Internal audit draft plan 2010/11



Distribution List

Accounts Audit and Risk Committee

Chief Executive

Strategic Directors

Corporate Managers

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1 Introduction

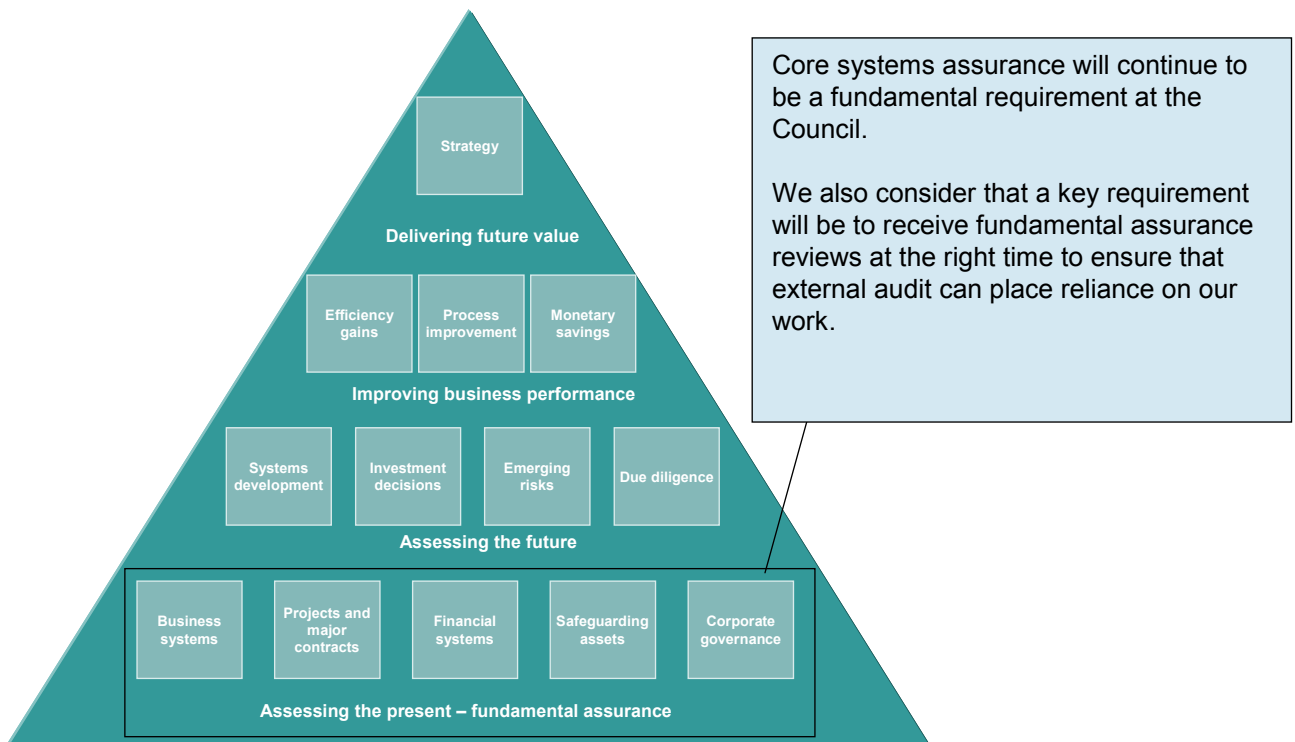
Our draft audit plan has been prepared in order to ensure that the risks facing Cherwell District Council's (CDC) are effectively addressed and internal audit resources are appropriately utilised. This is in line with current Internal Audit Standards and the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

We have drawn our risk assessment from a wide range of sources which have been outlined in Section 2. As we have been CDC's internal auditors for a period of 18 months, we are able to draw upon our knowledge of you and our findings during this period.

This Risk Assessment is a key factor in deciding how to allocate internal audit resources available. It ensures that resources are focused on those areas where they can be of most benefit to CDC by providing assurance to the Accounts Audit and Risk Committee and management on controls over key risks. This document sets out our responses as internal auditors to those risks and to other factors that have been considered as part of our assessment of audit need.

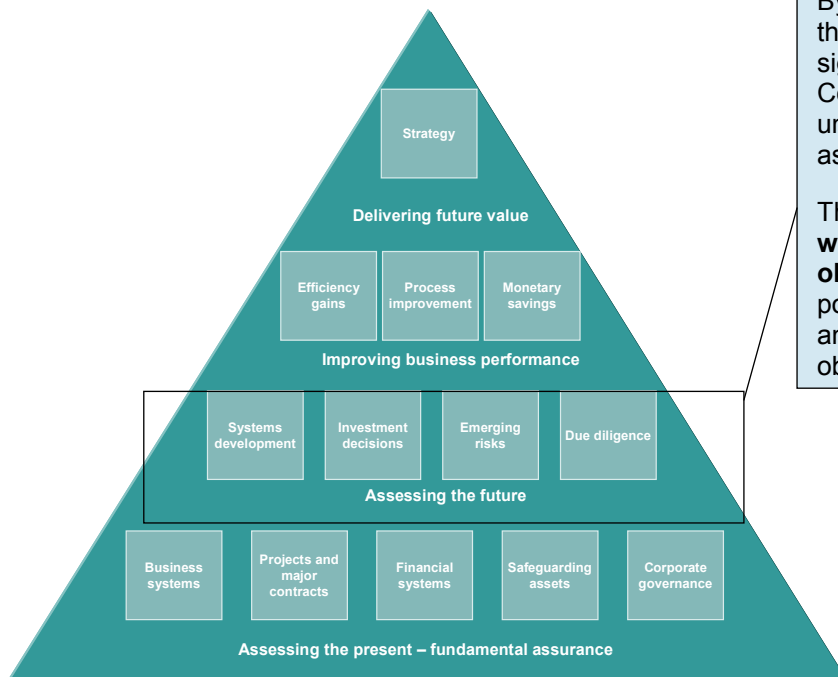
2 Providing assurance

Providing fundamental “core systems” assurance



We recognise the necessity to provide management with an on-going level of fundamental “core systems” assurance. We will also seek to maximise audit efficiency by working closely with the external auditors, the Audit Commission. This includes developing and enhancing existing working arrangements with the external auditors.

Moving towards a risk based audit approach



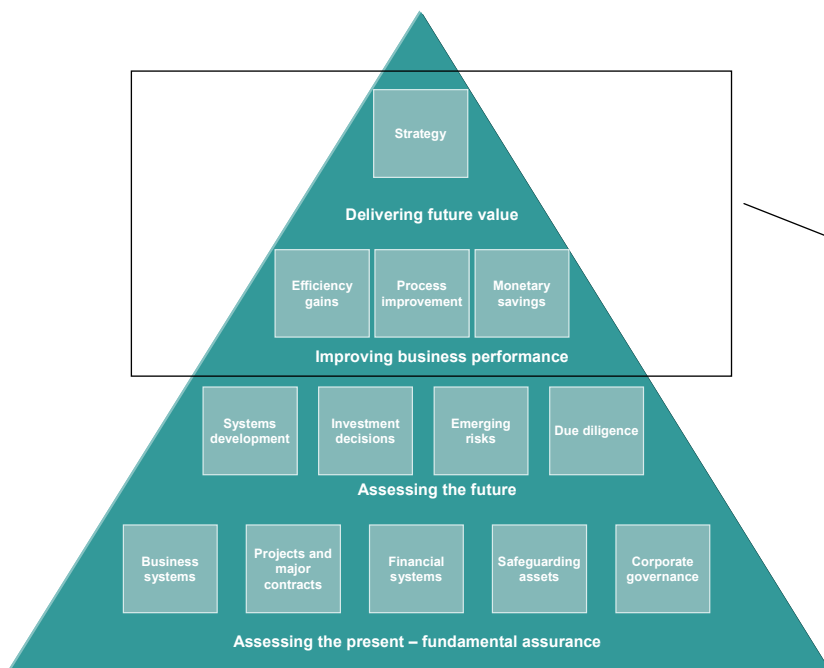
By adopting a risk based audit approach there will be clear linkage between the significant risks identified in the Council's Risk Registers and the work undertaken by internal audit in providing assurance against these.

The definition of risk is **“anything that will prevent you from achieving your objectives”**. As a result, the starting point for a risk based audit approach is an understanding of the Council's objectives.

Risk based work is also critical to the Council, as it seeks to improve the risk awareness of staff, and improve overall control. The internal audit work programme is designed to provide assurance that the significant risks identified within the Council's risk registers are being managed effectively. As part of this process we will also examine the risk management framework and governance procedures.

Delivering value through improved performance

Internal audit can also provide a valuable role in improving business performance and delivering future value. We can assist the Council through the deployment of specialist skills and experience,



A significant element of the internal audit plan will be focused on fundamental assurance. However, over time as risk management processes develop and the internal control environment strengthens, we would expect the proportion of the internal audit plan spent on this to reduce. This will enable us to concentrate more of our resources on assisting the Council in areas such as efficiency gains, process improvements and delivering savings.

Next steps

Following further consultation with key stakeholders, we will seek final approval of the risk assessment and internal audit plan. When approved, we will agree a 'project sponsor' for each review with management. All project sponsors will then be contacted and made aware of all audits during the year where they are the nominated sponsor. At this stage we will agree the timing of each review and a more detailed scope of work. We will then issue a more detailed operational audit plan for the remainder of the year which will include the agreed audit dates and the key contact from the Council and the internal auditor who will be responsible for the audit. We will then issue Terms of Reference for each review. The intention is for all internal audit work to be completed before the end of March 2011.

3 The risk assessment process

The information which has been used to prepare our Risk Assessment and proposed Internal Audit plan has been collected and collated from a number of different sources, including:

- Prior year internal audit plans and reports
- A review of risk registers
- Consultation with key stakeholders during a Strategic Risk Workshop on 17th December 2009
- Ongoing discussions with members and officers
- Attendance of the Accounts, Audit and Risk Committee and Corporate Management Team meeting
- A review of relevant documentation and reports from external inspectorates (e.g. The Audit Commission)
- Review of technical and legislative updates

Completeness of assessments and future reviews

Our risk assessment is limited to matters emerging from the processes listed above. We will review and update this assessment and the resulting internal audit plan annually. If, however, additional risks arise, or change in priority, during the year the audit plan will be reconsidered with management and, with the approval of the Audit and Governance Committee, amended to ensure that audit resources are focused on the new risk areas.

4 Proposed internal audit plan

The proposed internal audit plan for 2010/11 is set out below (in summary and detail) for the approval of management and the Accounts Audit and Risk Committee. The core of this plan was presented to committee in June 2009 as part of our Strategic Plan for 2009-12. This has been updated with our risk analysis in Section 3 in accordance with modern internal auditing standards and the CIPFA Code of Practice for Internal Audit in Local Government in the UK.

Once the programme has been agreed in outline, we will refine the precise scope of each review and agree this, and the related days, with management.

Summary operational internal audit plan 2010/11

Area of coverage	Proposed Days (2010/11)
Fundamental assurance (core systems reviews)	115
Risk based assurance (operational systems reviews)	55
Performance assurance (strategic reviews)	15
Other	35
TOTAL	220

Outline operational internal audit plan 2010/11

Review area	2010/11 as per 2009-12 Strategic Plan	2010/11 Proposed Days	Comments
Core systems reviews			
General Ledger	5	5	
Debtors	10	10	
Creditors	5	5	
Payroll	5	5	
Budgetary Control	10	10	
Council Tax	10	15	Combined review due to change in structure
National Non Domestic Rates	5		
Bank Reconciliations	5	5	
Cashiers	5	5	
Treasury Management	10	10	
Housing Benefits	5	10	Additional days required due to amount of testing required
Fixed Assets	10	10	
IFRS	5	5	
VAT	0	0	
Car Parking	5	5	
Risk management	5	5	
Governance - survey	5	5	
Establishment Visits	5	0	No issues noted in prior year
Procurement	0	5	Issues have been noted with adherence to purchasing polices during previous reviews.
Total core systems	110	115	
Operational reviews - risk based assurance			
Partnership working	5	5	
Managing in a Downturn	5	0	Sufficient work performed in prior year. No significant control issues noted
Freedom of Information and Data Protection	5	5	

Review area	2010/11 as per 2009-12 Strategic Plan	2010/11 Proposed Days	Comments
Health and Safety	5	5	
ICT Audits	20	20	
Job Evaluation	5	5	
CAA	5	0	Sufficient work performed in prior years
Data Quality	5	0	Sufficient work performed in prior years. Days included for Indicators
Sustainability	0	10	Risks around environmental and natural resources noted during risk workshop
Strategic Planning	0	5	Risk workshop identified the need for controls around strategic planning to meet objectives
Total operational systems reviews	55	55	
Strategic – performance assurance			
Anti Fraud and Whistleblowing	5	5	
Performance management	10	10	
Total strategic – performance assurance	15	15	
Other			
Follow up –	5	5	
Audit Management	30	30	
Total Other	35	35	
Annual audit days	215	220	

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