AUDIT AND GOVERNANCE COMMITTEE   **27 March 2009**

INTERNAL AUDIT OPERATIONAL PLAN 2009/2010

Report of the City Treasurer

1.   **Purpose of Report**

1.1   To enable the Audit and Governance Committee to consider and endorse the proposed Internal Audit Operational Plan for 2009/2010.

2.   **Background**

2.1   The Terms of Reference for the Audit and Governance Committee (agreed 12th April 2006) set out the key roles of the Committee including the requirement to *"receive and consider (but not direct) internal audit's strategy, plan, and monitor performance".*

2.2   The Internal Audit Strategy was approved by the Audit and Governance Committee on 20th March 2008.

2.3   For completeness, the Operational Plan covers Internal Audit's key performance measures and outlines internal audit work for the Council and associated bodies for which the Council has a lead responsibility. The content relating to the associated bodies is, of course, a matter for the bodies concerned.

3.   **Recommendation**

3.1   The Audit Committee is invited to consider and, if appropriate, make comment on the proposed Operational Plan (attached), which includes the key performance measures for 2009/2010.

4.   **Background Papers**

4.1   Cabinet Agenda 12th April 2006 (Item 6) – Audit Committee Arrangements.

4.2   Audit and Governance Committee Agenda 20th March 2008 (Item 6) – Internal Audit Strategy and Operational Plan 2008/2009.

Sunderland City Council and Associated Bodies

Internal Audit Operational Plan 2009/2010

1.   Introduction

1.1   This document sets out the division of responsibilities between managers and Internal Audit Services, and presents the Internal Audit Operational Plan and key performance measures for 2009/2010. It covers the following bodies:

- Sunderland City Council
- Tyne and Wear Fire and Rescue Authority (TWFRA)
- Beamish Museum
- Tyne and Wear Development Company (TWDCO)
- Tyne and Wear Economic Development Joint Committee (TWEDJC)
- Back On The Map Limited

2.   Division of Responsibilities

2.1   It is the responsibility of management to manage the systems of the City Council (and associated bodies) in a manner which:

- ensures the plans and intentions of the organisation are delivered, (including those outlined in plans, policies and procedures) and are in compliance with the laws/regulations under which the organisation operates;
- ensures the reliability of data and information used either internally or reported externally;
- safeguards the organisation's resources; and
- promotes efficient and effective operations.

2.2   Controlling is an integral part of managing operations and, as such, internal auditors independently review how effectively management discharges this aspect of its responsibilities by evaluating the effectiveness of systems and controls and providing objective analyses and constructive recommendations. Management retains full ownership and responsibility for the implementation of any such recommendations.

3.   Resources Available

3.1   Based upon the total staff resource available for 2009/2010 it is necessary to set aside time for a range of commitments relating to planning and management of the service. These are analysed below.

Table 1: Productive Days Available

	Days 2009/2010	Percentage
Gross Days	**4,374.0**	**100%**
Less Uncontrollable Overheads (e.g. annual leave, bank holidays)	702.5	16%
Productive Days Available	**3,671.5**	**84%**

Table 2: Utilisation of Productive Days Available

	Days 2009/2010	Percentage
Productive Days Available	**3,671.5**	**100%**
Less Controllable Overheads (e.g. risk assessments, planning, management, service development and training)	765.5	21%
Chargeable Days	**2,906.0**	**79%**

4   Development of Internal Audit Operational Plan

4.1   In developing the Operational Plan it is important that audit resources are directed in line with the priorities of the Council / associated body taking into account an assessment of risk. In order to achieve this, a systematic risk assessment and planning methodology is used, as set out in the Audit Strategy.

4.2   The methodology results in a plan that is supportive of Elected Members and Directors / Chief Officers in their role in delivering the strategic priorities and corporate improvement priorities of the organisation and provides a view on the overall internal control environment, a key part of good Corporate Governance.

4.3   As Internal Audit Services are required to investigate specific areas of concern or irregularity as and when they arise, a contingency allowance is made for each body based upon previous experience.

4.4   Although the majority of audit work can be planned there are occasions when individual planned audits cannot be undertaken (for example, where significant change takes place in the audit area). In these circumstances attempts will be made to replace the audit with a suitable replacement in agreement with the relevant Chief Officer.

4.5   In addition, unforeseen work can arise due to new areas of service or increased risk which means that it is necessary to carry out an audit within the year. Therefore, in order to allow some flexibility, a contingency allowance is also made to enable such work to be undertaken without

adversely affecting the delivery of the planned audit work.

4.6   The table below summarises the planned allocation of chargeable days for 2009/2010.

Activity	Days 2009/2010
Audits	
Service / Systems Audits	1,035.0
Establishment Audits	307.5
Specialist IT Audit Work	148.5
Follow Up Work	160.6
Grant Work	30.0
Annual Governance Review 2008/09	20.0
Sub Total	**1,701.6**
Other Audit Work / Support	
General Advice / Guidance / Liaison	206.0
Advice and Guidance - Specific Projects	101.6
Counter Fraud Work	179.0
Systems Development	20.0
Sub Total	**506.6**
Contingencies	
Investigation Work	444.0
Unplanned Work / New Areas of Work / Special Requests	253.8
Sub Total	**697.8**
Grand Total	**2,906.0**

It can be seen from the above table that 58.6% of the plan is dedicated to undertaking planned audits and providing assurance relating to those areas and 41.4% is provided for working proactively with service areas in developing internal control and responding to issues as they arise.

4.7   Appendix 1 sets out in detail the work that is to be carried out in each Directorate / Department under each of the above categories of audit activity.

5   Key Points

5.1   The following key points are of note.

5.1.1 Key Systems
       IAS will continue to review the effectiveness of internal control within the Council's key financial systems and key non-financial systems, in accordance with agreed rolling programmes of audit work in these areas.

5.1.2 ICT Disaster Recovery / Business Continuity
In the Internal Audit Annual Report for 2007/2008, it was reported that a significant amount of work was ongoing to improve the Council's ICT disaster recovery arrangements, which had been judged to be unsatisfactory. This work has continued throughout 2008/2009 and Internal Audit has monitored progress closely. The assessment for this area shall be reported in the Internal Audit Annual Report for 2008/2009. Given, its importance Internal Audit will continue to review this area.

5.1.3 Significant Projects
IAS will continue to provide input regarding risks and internal controls to significant projects being delivered within the Council, including the following:

Building Schools for the Future
Two pieces of work are to be carried out in relation to Building Schools for the Future. Firstly, a review the contract monitoring arrangements in place for the implementation of the ICT facilities. Secondly, assurance will be sought that appropriate arrangements are in place for the transfer of two schools to academy status from September 2009.

South Tyne and Wear Waste Management Partnership
The governance arrangements in place to ensure that the Council's interests are protected will be reviewed to ensure that they are appropriate.

ContactPoint
ContactPoint is an online database of information about children for use by practitioners working with and providing support to them. A review will consider the arrangements for implementation and access security of the system.

Sunderland Strategic Transport Corridor (SSTC) / Central Route
Audit work will be undertaken as appropriate throughout the procurement stage of the Sunderland Strategic Transport Corridor to ensure that the detailed arrangements in place incorporate appropriate controls which are implemented.

Service Transformation
An allowance has been made to undertake work to confirm that robust operating arrangements are in place in respect of the Job Enrichment programme.

Partnerships
Time has been allowed for in the audit plan to review a number of partnerships that the Council is party to. This will include a review of the corporate arrangements in place to identify and monitor the partnerships which the Council is involved with and the guidance in place to help provide an efficient and robust approach to engaging in partnerships.

5.1.4 Corporate Performance Management Arrangements
A review of the arrangements in place to monitor the Council's overall performance will be undertaken, including the achievement of LAA targets and the arrangements for co-ordinating with partners.

5.1.5 Corporate Information Security Management
Building on audit work which has been started during 2008/2009, a review of the Council's data handling arrangements against the recently issued Local Government Association's Data Handling Guidelines will be completed.

5.1.6 Counter Fraud Work
Evidence shows that in times of recession the incidence of fraud increases and as such the time set aside for counter fraud work has been increased for 2009/2010. The work undertaken will be aimed specifically at detecting any fraud, corruption or other financial wrongdoing that may be occurring, based upon an assessment of risk. In addition, work will continue to raise awareness of the Council's Anti Fraud and Corruption and Whistleblowing policies, through various methods, including an e-learning module for Council staff.

5.1.7 Audit Issues Bulletin
In order to share learning throughout the Council it is intended that an Audit Issues Bulletin will be circulated periodically highlighting some of the main issues (in general terms) that have been identified during audit work, the aim being to help managers take a proactive approach to checking that appropriate controls are in place within their areas of responsibility.

6. Reporting Protocols

6.1 At the conclusion of each individual audit a Draft Report and proposed Action Plan will be forwarded to the appropriate manager within the client Directorate / Department. Once agreement has been reached, a Final Report and Action Plan will be forwarded to the relevant Chief Officer. Where audits highlight issues which need to be brought to the attention of the City Treasurer, they will be raised as and when necessary.

6.2 A quarterly progress report will be presented to the City Treasurer indicating the level of achievement against agreed targets and any major findings arising from the audit work undertaken.

6.3 An Annual Report will be prepared for Cabinet and the Audit and Governance Committee in order to give assurance or otherwise to Members that they can rely on the internal control framework of the Council. A half yearly progress report will also be presented to the Audit and Governance Committee.

7. Performance Management

7.1 All work undertaken by Internal Audit Services in the delivery of the Operational Plan will be in accordance with its Quality System, which is based upon the professional standards required by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Internal Auditors (IIA-UK). The Quality System is also certified to the ISO9001:2000 standard.

7.2 The objectives of the service for 2009/2010 and the Key Performance Indicators (KPI's) which will be used to measure Cost and Efficiency, Quality, Client Satisfaction and Continuous Improvement throughout the year, are shown in Appendix 2.

8   Variations to the Audit Plan

8.1   In order to allow some flexibility in the work Internal Audit Services undertakes, a contingency allowance is made to enable unforeseen requests to be undertaken without adversely affecting the delivery of the planned audit work. However, once the contingency allowance has been exhausted an assessment will be carried out to determine whether requests for additional work should be undertaken, based on the impact upon the delivery of the plan and the risks associated with the work requested. Wherever possible the work will be undertaken by replacing another audit within the same Directorate / Department and the plan will be revised accordingly.

Audit Work to be carried out in each Directorate / Department

Audit Work	Service / Systems Audit	Establishment Audit	IT Audit Work	Follow Up Work	Grant Work	Annual Governance Review 2008/09	General Advice / Guidance / Liaison	Advice and Guidance - Specific Projects	Counter Fraud Work	Systems Development	Investigation work	Unplanned work / new areas of work / special requests
Children's Services												
Early Childhood Services	20.0											
BSF Contract Monitoring and Handover of ICT	15.0											
Case Management	20.0											
Departmental Creditors	18.0											
Recruitment and Induction	20.0											
Business Continuity Planning	14.0											
Commissioning	15.0											
Schools (34)		291.5										
Action Plan Implementation Contingency				15.0								
Schools Action Plan Implementation Contingency				47.0								
Advice and Guidance							26.0					
Schools Advice and Guidance							30.0					
BSF and Preparation for Academies								6.0				
BSF Wave 2								3.0				
Contact Point								15.0				
Children's Services Investigations Contingency											80.0	
Schools Investigations Contingency											50.0	
Project Work / Other Contingency												30.0
Schools Project Work / Other Contingency												25.0
Sub Total	**122.0**	**291.5**	**0.0**	**62.0**	**0.0**	**0.0**	**56.0**	**24.0**	**0.0**	**0.0**	**130.0**	**55.0**
Development and Regeneration												
Parking Services – Follow Up	12.0											
Traffic Management and Road Safety Service	14.0											
Commissioning of Site Security	13.0											
Corporate Landlord - Health and Safety Procedures	13.0											
Review of Port Fee Income	11.0											
Departmental Creditors	12.0											
Recruitment and Induction	14.0											
Sunderland arc	17.0											
Action Plan Implementation Contingency				10.0								
Advice and Guidance							30.0					
Procurement: Sunderland Strategic Transport Corridor (SSTC) / Central Route								10.0				
Property Services Review								14.0				
Investigations Contingency											100.0	
Project Work / Other Contingency												38.0
Sub Total	**106.0**	**0.0**	**0.0**	**10.0**	**0.0**	**0.0**	**30.0**	**24.0**	**0.0**	**0.0**	**100.0**	**38.0**

Audit Work to be carried out in each Directorate / Department

Audit Work	Service / Systems Audit	Establishment Audit	IT Audit Work	Follow Up Work	Grant Work	Annual Governance Review 2008/09	General Advice / Guidance / Liaison	Advice and Guidance - Specific Projects	Counter Fraud Work	Systems Development	Investigation work	Unplanned work / new areas of work / special requests
Community and Cultural Services												
Environmental Services	11.0											
Education and Civic Buildings Maintenance	15.0											
Refuse Collection - Domestic	12.0											
Libraries Service	12.0											
Sport and Leisure Service	18.0											
Puma Centre		8.0										
Silksworth Sports Centre		8.0										
Recruitment and Induction	10.0											
Business Continuity Planning	15.0											
Partnership Arrangements	14.0											
Action Plan Implementation Contingency				20.0								
RANK Grant					5.0							
Advice and Guidance							20.0					
South Tyne And Wear Waste Management Partnership								11.0				
Use Of Agency Workers - Options Appraisal								8.0				
Investigations Contingency											40.0	
Project Work / Other Contingency												20.0
Sub Total	**107.0**	**16.0**	**0.0**	**20.0**	**5.0**	**0.0**	**20.0**	**19.0**	**0.0**	**0.0**	**40.0**	**20.0**

Audit Work	Service / Systems Audit	Establishment Audit	IT Audit Work	Follow Up Work	Grant Work	Annual Governance Review 2008/09	General Advice / Guidance / Liaison	Advice and Guidance - Specific Projects	Counter Fraud Work	Systems Development	Investigation work	Unplanned work / new areas of work / special requests
Health, Housing and Adult Services												
Learning Disabilities Partnership	12.0											
Home Support	11.0											
Private Housing Renewals	15.0											
Respect Agenda including Anti Social Behaviour	11.0											
Home Improvement Agency and Accessible Homes	15.0											
Procurement Team	15.0											
Direct Payments	10.0											
Partnership Arrangements	15.0											
Individualised Budgets	20.0											
Action Plan Implementation Contingency				11.8								
Supporting People Grant					20.0							
Advice and Guidance							25.0					
Investigations Contingency											45.0	
Project Work / Other Contingency												40.0
Sub Total	**124.0**	**0.0**	**0.0**	**11.8**	**20.0**	**0.0**	**25.0**	**0.0**	**0.0**	**0.0**	**45.0**	**40.0**

Audit Work to be carried out in each Directorate / Department

Audit Work	Service / Systems Audit	Establishment Audit	IT Audit Work	Follow Up Work	Grant Work	Annual Governance Review 2008/09	General Advice / Guidance / Liaison	Advice and Guidance - Specific Projects	Counter Fraud Work	Systems Development	Investigation work	Unplanned work / new areas of work / special requests
Office of the Chief Executive												
Community Leadership Programme including Area Arrangements	20.0											
Corporate Performance Management	20.0											
Realisation of Benefits/Savings	15.0											
Corporate Health and Safety Arrangements	15.0											
Departmental Payroll	10.0											
Partnership Arrangements	12.0											
Corporate Information Security Management			18.0									
ICT Asset Management			18.0									
ICT Sustainability - Green IT			20.0									
Web Content Development			15.0									
Network Controls and Security / Support / Communications			29.5									
ICT Performance and Financial Management	15.0											
Action Plan Implementation Contingency				16.5								
Advice And Guidance							12.0					
ICT Advice And Guidance Contingency							17.0					
Service Transformation	50.0											
HR Payroll Phase 2								5.0				
Single Status								5.0				
Digital Challenge								5.0				
ICT Disaster Recovery / Business Continuity								6.0				
Investigations Contingency											42.0	
Project Work / Other Contingency												25.0
Sub Total	**157.0**	**0.0**	**100.5**	**16.5**	**0.0**	**0.0**	**29.0**	**21.0**	**0.0**	**0.0**	**42.0**	**25.0**

Audit Work	Service / Systems Audit	Establishment Audit	IT Audit Work	Follow Up Work	Grant Work	Annual Governance Review 2008/09	General Advice / Guidance / Liaison	Advice and Guidance - Specific Projects	Counter Fraud Work	Systems Development	Investigation work	Unplanned work / new areas of work / special requests
City Solicitor												
Departmental Creditors	10.0											
Information Governance	12.0											
Action Plan Implementation Contingency				1.0								
Advice And Guidance							3.0					
Investigations Contingency											12.0	
Project Work / Other Contingency												5.0
Sub Total	**22.0**	**0.0**	**0.0**	**1.0**	**0.0**	**0.0**	**3.0**	**0.0**	**0.0**	**0.0**	**12.0**	**5.0**

Audit Work to be carried out in each Directorate / Department

Audit Work	Service / Systems Audit	Establishment Audit	IT Audit Work	Follow Up Work	Grant Work	Annual Governance Review 2008/09	General Advice / Guidance / Liaison	Advice and Guidance - Specific Projects	Counter Fraud Work	Systems Development	Investigation work	Unplanned work / new areas of work / special requests
City Treasurer												
Leasing Administration	12.0											
Accounts Payable - Processing and Payment	14.0											
Accounts Receivable - Billing	14.0											
Accounting / General Ledger	15.0											
Corporate Partnership Arrangements	15.0											
Supplier Relationship Management Arrangements	16.0											
E-Tendering Arrangements	15.0											
Shared Service Centre	18.0											
Shared Service Centre – Claims and Expenses	13.0											
Shared Service Centre - Time and Attendance Arrangements	12.0											
Business Rates - Collection	12.0											
Benefits - Private Landlords	12.0											
Benefits - Overpayments	10.0											
Risk Management Arrangements	12.0											
Departmental Payroll	6.0											
Departmental Creditors	17.0											
Business Continuity Planning	15.0											
Counter Fraud Work (Corporate)									150.0			
National Fraud Initiative									12.0			
Annual Governance Review 2008/09						20.0						
Action Plan Implementation Contingency				19.8								
Advice And Guidance							25.0					
HR/Payroll System Development										8.0		
Audit Issues Bulletin								4.0				
Anti-Fraud and Whistle blowing Arrangements - Implementation and Review									12.0			
Money Laundering Arrangements									5.0			
Supplier Relationship Management System Development										6.0		
New Business Rates System								5.0				
Cash Receipting Systems Development										6.0		
Information Security - Physical								4.6				
Investigations Contingency											43.0	
Project Work / Other Contingency												61.3
Sub Total	**228.0**	**0.0**	**0.0**	**19.8**	**0.0**	**20.0**	**25.0**	**13.6**	**179.0**	**20.0**	**43.0**	**61.3**

Audit Work to be carried out in each Directorate / Department

Audit Work	Service / Systems Audit	Establishment Audit	IT Audit Work	Follow Up Work	Grant Work	Annual Governance Review 2008/09	General Advice / Guidance / Liaison	Advice and Guidance - Specific Projects	Counter Fraud Work	Systems Development	Investigation work	Unplanned work / new areas of work / special requests
Tyne and Wear Fire and Rescue Authority												
Training and Development	12.0											
Income	12.0											
Performance and Financial Management	12.0											
Risk Management Arrangements	10.0											
Departmental Payroll	12.0											
Departmental Creditors	12.0											
Recruitment and Induction	10.0											
ICT Sustainability - Green IT			18.0									
Emergency Planning Management of IT Risks			15.0									
Action Plan Implementation Contingency				8.5								
Advice and Guidance							6.0					
Investigations Contingency											9.0	
Project Work / Other Contingency												5.5
Sub Total	**80.0**	**0.0**	**33.0**	**8.5**	**0.0**	**0.0**	**6.0**	**0.0**	**0.0**	**0.0**	**9.0**	**5.5**
Beamish Museum												
Performance and Financial Management	10.0											
Human Resource Management	15.0											
Creditors/Procurement	14.0											
Action Plan Implementation Contingency				2.0								
Advice and Guidance Contingency							5.0					
Investigations Contingency											13.0	
Project Work / Other Contingency												4.0
Sub Total	**39.0**	**0.0**	**0.0**	**2.0**	**0.0**	**0.0**	**5.0**	**0.0**	**0.0**	**0.0**	**13.0**	**4.0**
Tyne and Wear Development Company												
Property Management	12.0											
Human Resource Management	12.0											
Business Continuity Planning	12.0											
Action Plan Implementation Contingency				4.0								
Advice And Guidance							2.0					
Sub Total	**36.0**	**0.0**	**0.0**	**4.0**	**0.0**	**0.0**	**2.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Tyne and Wear Development Joint Committee												
Certification Work					5.0							
Sub Total	**0.0**	**0.0**	**0.0**	**0.0**	**5.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Audit Work	Service / Systems Audit	Establishment Audit	IT Audit Work	Follow Up Work	Grant Work	Annual Governance Review 2008/09	General Advice / Guidance / Liaison	Advice and Guidance - Specific Projects	Counter Fraud Work	Systems Development	Investigation work	Unplanned work / new areas of work / special requests
Back on the Map Limited												
Anti-Fraud and Corruption Arrangements	6.0											
Payroll	8.0											
Management of IT Risks			15.0									
Action Plan Implementation Contingency				5.0								
Advice and Guidance							5.0					
Investigations Contingency											10.0	
Sub Total	**14.0**	**0.0**	**15.0**	**5.0**	**0.0**	**0.0**	**5.0**	**0.0**	**0.0**	**0.0**	**10.0**	**0.0**
Grand Total	**1,035.0**	**307.5**	**148.5**	**160.6**	**30.0**	**20.0**	**206.0**	**101.6**	**179.0**	**20.0**	**444.0**	**253.8**

Internal Audit Services' Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2009/2010		
Cost & Efficiency		
Objectives	**KPI's**	**Targets**
1) To ensure the service provides Value for Money	1) Charge per Man Day	1) Lower cost than average within CIPFA Benchmarking Club – Comparator Group (Unitary Authorities)
	2) Audit cost per £m Gross Turnover of the Council	2) Lower cost than average within CIPFA Benchmarking Club – Comparator Group (Unitary Authorities)
	3) Percentage of planned audits completed (including agreed variations)	3) 100%
	4) Average number of days between end of fieldwork to issue of draft report	4) 10 working days or less
	5) Percentage of draft reports issued within 15 days of the end of fieldwork	5) 85%
	6) Percentage of audits where the number of days between the start of the audit and the end of fieldwork is within a target of twice the budgeted number of days	6) 75%

Internal Audit Services' Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2009/2010		
Quality		
Objectives	**KPI's**	**Targets**
1) To maintain an effective system of Quality Assurance	1) ISO9001:2000 Certification	1) Retain certification
2) To ensure recommendations made by the service are agreed and implemented	2) Percentage of high, significant and medium risk recommendations made which are agreed	2) 100%
	3) Percentage of agreed high, significant and medium risk recommendations which are implemented	3) 100% for high and significant. 90% for medium risk
	4) Opinion of External Auditor	4) Satisfactory opinion
Objectives, Key Performance Indicators (KPI's) and Targets for 2009/2010		
Client Satisfaction		
Objectives	**KPI's**	**Targets**
1) To ensure that clients are satisfied with the service and consider it to be good quality.	1) Results of Post Audit Questionnaires	1) Overall average score of better than 1.5 (where 1=Good and 4=Poor)
	2) Results of other Questionnaires	2) Results classed as 'Good'
	3) Number of Complaints / Compliments	3) No target – actual numbers will be reported

Internal Audit Services' Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2009/2010		
Continuous Improvement		
Objectives	**KPI's**	**Targets**
1) To ensure that the service develops in line with modern thinking and practice on Internal Auditing	Improvement in actual performance in relation to previous years in the following areas: 1) Average number of days between end of fieldwork to issue of draft report 2) Percentage of draft reports issued within 15 days of the end of fieldwork 3) Percentage of agreed high, significant and medium risk recommendations which are implemented	Improvement in actual performance from 2008/2009.