

Cumbria County Council Management Audit Unit

Proposed Internal Audit Plan 2006/07

1. Recommendation

- 1.1 **The Audit & Performance Committee is requested to receive this report and approve the internal audit plan for 2006 07 and the associated costs.**

2. Proposed Internal Audit Plan

- 2.1 The strategic audit plan has been updated following consultation with both Police Authority and Constabulary staff and takes into account Internal Audit 's requirement to contribute to the review of the statutory SIC (Statement of Internal Control). The Audit Commission has also been consulted on the content of the plan. ***The detailed plan is set out in the appendix to this report.***
- 2.2 No audit days have been included for 2007/08 at this stage, pending confirmation of the arrangements for internal audit for the new Cumbria and Lancashire Police Authority. The total internal audit days have been reduced to 130 to reflect issues raised over the burden of inspection, benchmarking results on internal audit, the generally good control environment and the fact that some systems may have a relatively short lifespan, following the merger.
- 2.3 The following should be noted:

Audit area	Commentary
Main financial systems	<p>Key controls within the main financial systems require annual audit coverage to support assertions made in the SIC, and to underpin the reliability of annual financial statements – this includes payroll, creditors, debtors, main accounting system, treasury management and petty cash.</p> <p>Historically, Cumbria Police's financial systems have been assessed as good, but testing of key controls has to be carried out on an annual basis to ascertain this remains the case. There may be additional risks this year as the impending merger may mean staff are drawn away from their normal jobs to work on merger issues. A key finance manager will also be on maternity leave for part of the year.</p> <p>Internal Audit work will focus on the key controls in place and no in-depth reviews, as have been done on a cyclical basis in the past, will be carried out.</p> <p>Budgetary control is also reviewed annually at a corporate level and in detail at 2 areas each year.</p> <p>Controls over asset/equipment recording will also be reviewed, as accurate & up-to-date information will be required for merger.</p> <p>Pensions are also reviewed annually as pension costs are a significant component of the Constabulary's revenue expenditure.</p>

Audit area	Commentary
	<p>Impact of ISA's As a result of the introduction of International Accounting Standards (ISA's), the Audit Commission is required to independently document and review key financial systems and identify key controls within these. As a second stage, a decision is then made as to whether reliance can be placed on these controls.</p> <p>The Audit Commission will take into account work done by Internal Audit in assessing whether the key controls are reliable. Internal Audit and the Audit Commission will work together to minimise duplication of work and that evidence to provide assurance over the operation of the main financial systems is achieved efficiently.</p>
Other systems	<p>Risk management A review of progress on risk management will be carried out to assess the extent to which the planned timetable to roll out risk management to Boards and then BCU's/Depts has been achieved.</p> <p>Procurement Contract letting/tendering will be reviewed, in particular the new electronic tendering system.</p> <p>Additional work Internal Audit has also been requested to review revised area systems documentation, when available.</p>
Computer audit	<p>No IT areas are included in this plan as it is likely that systems may change following the merger.</p> <p>The Director of IT was given the opportunity to propose potential areas for Internal Audit to review but none were identified.</p>
Establishments/devolved activity	<p>Annual coverage will continue of the 3 BCU's and Operational Support. 2 main reviews and 2 follow up reviews each year.</p> <p>Financial management aspects will be reported separately to the Director of Finance & Resources.</p> <p>These reviews will include planning & performance management, as well as financial management, to reflect SIC requirements.</p> <p>There will be longer-term benefit in doing reviews at this level, rather than corporately, as corporate arrangements are likely to change following the merger.</p>
Functional/VFM reviews	<p>16 days has been included: 5 days of this is earmarked to follow up the review of custody management carried out in autumn 2005.</p> <p>The balance will be used to carry out a review of the new Stores system as requested by the Procurement Manager.</p>

- 2.4 A summary of the estimated days for completing the 2006/07 internal audit plan is set out below:

Audit area	Estimated days
Main financial systems	50
Other systems	16
BCU/devolved activity	23
Functional/VFM reviews	16
Planning & management	19
Audit & Performance Committee support	6
Total	130

This includes provision for travel, planning and reporting to management and the Audit and Performance Committee, as required. Recommendations from previous audit reports are also followed up, usually at the next review.

- 2.5 It is proposed that the daily rate is increased to £255 (From £240) – the only rise since 1 April 2004 - and this is to take into account inflation at around 3% per annum. With total audit days of 130, this gives an annual cost of £33,150, which is within the budget available.

**Management Audit Unit
Cumbria County Council
April 2006**

Police strategic plan

	05/06 days	05/06 days	06/07 days	Comments
Main Financial Systems	<i>plan</i>	<i>actual/f'cast</i>		
Main accounting system (includes bank reconciliations)	6	5	5	
Payroll	5	7.5	8	
Travel & subsistence	5	3		
Creditors	5	5	5	
Debtors, Income and Banking	5	5	5	
Imprests (including new bank account)	2	2	2	
Capital accounting / asset register	4		3	Review control over asset/equipment inventories
Capital Programme monitoring	6	9.5		
Budgetary Control (also covered in Area reviews)	5	6	6	
Pensions	7	5.5	7	New rules coming in to force for new entrants from April 06
Treasury Management/Prudential Code	7	4	5	
VAT				
Input to aspects of finance restructuring	2			
System documentation to meet new AC requirements	5	5		To meet international auditing standards changes
Review of revised area systems documentation			2	Police request
Completion of work in progress/contingency	2.5		2	
<i>Sub-total - main accounting and finance</i>	<i>66.5</i>	<i>57.5</i>	<i>50</i>	
Other systems				
Corporate Risk Management			5	Review progress prior to 05/06 SIC report
Contract letting / tendering	2		5	Deferred to full review in 06/07 as new system being implemented
Procurement cards		2		Used 05/06 contract letting time on procurement cards input
Property management	5	6.5		
Corporate Best Value/performance indicators				HMIC review BV process/AC review BVPI's
LPSA 1 WINGS system review	3	3		One-off - reward grant at stake.
Input to internal controls statement	6	6	6	SIC part of annual accounts
Corporate performance management				New systems in place - moved to do at BCU level
<i>Sub-total - other general</i>	<i>16</i>	<i>17.5</i>	<i>16</i>	
Computer Audit				
<i>IT controls Detail to be agreed each year</i>			0	Agreed no IT reviews in 06/07 as IT systems likely to change
Oracle Financials follow up				
Internet security monitoring				
Internet follow up				
NSPIS HR system implementation	10			DMS link to payroll not implemented
IT Network controls				
IT Network controls follow up	3	2.5		
<i>Sub-total - computer audit</i>	<i>13</i>	<i>2.5</i>	<i>0</i>	
Establishments / Devolved Activity				
North Area BCU				Follow ups in alternate years for 4 main Police areas
Financial management			3	Main review in 06/07
Service planning & performance management			3	
Risk management			1	
Follow up on above	4	4		
South Area BCU				
Financial management	7	7	2	Follow up only in 06/07
Service planning & performance management	5	5	2	
Risk management				
Custody monitoring/use of force monitoring				
West Area BCU				
Financial management	3	3	2	Follow up only in 06/07
Service planning & performance management	5	5	2	
Risk management				
Custody monitoring/use of force monitoring				
Operational Support Dept				
Financial management			4	Main review in 06/07
Service planning & performance management			3	<i>to include improved financial monitoring regime</i>
Risk management			1	
Follow up on above	5	0		Unable to do follow up in 05/06 as key staff absent
<i>Sub-total - establishments / devolved activity</i>	<i>29</i>	<i>24</i>	<i>23</i>	

Police strategic plan

	05/06	05/06	06/07	
	days	days	days	Comments
Functional / VFM Reviews	<i>plan</i>	<i>actual/f'cast</i>		
Stores			11	Police request to review new system
Recovery of abandoned vehicles				
Custody management	15	16	5	Follow up in 06/07
Follow up to previous VFM work				
<i>Sub-total - functional and VFM review</i>	15	16	16	
	05/06		06/07	
	days		days	Comments
Audit Management Activities				
Audit Committee	5	6	6	
Annual report	1.5	1.5	2	
Annual plan	2	3	2	
General management & liaison	12	15	15	
<i>Sub-total - audit management activities</i>	20.5	25.5	25	
TOTAL	160	143	130.0	
Adjustments:				
Defer NSPIS HR review	10			Delay in implementation
No input to effect of financial restructuring	2			
Defer Operational Support follow up	5			Key staff unavailable
Revised budget and actual days	143	143		