
Report to Resources and Audit Committee

Date of Meeting: 4 October 2012

Subject: Annual Audit and Fraud Plan 2012/13

Report by: Director of Finance and Corporate Services

1.0 Purpose

- 1.1. This report presents the Annual Audit and Fraud Plan for 2012/13 to Resources and Audit Committee as required by the Internal Audit Charter and CIPFA Code of Practice for Internal Audit in Local Government.
- 1.2. In undertaking the reviews included in the Annual Plans, the Audit and Fraud Team will be able to form and provide an objective opinion on the Council's control environment.

2.0 Recommendations

- 2.1. The Committee is asked to approve the Annual Audit and Fraud Plan for 2012/13. It is also asked to note that the Annual Audit and Fraud Plan for 2013/14 will be presented to members for approval by the 2 May 2013 meeting.

3.0 Considerations

- 3.1. The requirement for an internal audit function within Local Authorities is implied by Section 151 of the Local Government Act 1972 which defines that authorities "make arrangements for the proper administration of their financial affairs."
- 3.2. Internal audit is an independent assurance function which provides an objective opinion to Resources and Audit Committee on the Council's control environment.
- 3.3. One of the primary objectives for the Audit and Fraud team is to provide members and senior management with independent assurance and an opinion on the effective operation of the Council's risk management, governance and internal control processes. This acknowledges however, that management is responsible for establishing the risk, governance and internal control processes and systems.

- 3.4. The Annual Audit and Fraud Plan 2012/13 in Appendix A identifies the assurance and fraud work that the Audit and Fraud Team aims to complete during the financial year that will form the basis for providing assurance on the Council's control environment.
- 3.5. The assurance provided by the Audit and Fraud team will also inform the Council's Annual Governance Statement (AGS) for 2012-13 and will address one of the key improvements identified as part of the AGS for 2011-12.
- 3.6. In December 2011, following an options appraisal, the Council approved the restructure of the audit team into an integrated Audit and Fraud Team. In early 2012, a Transitional Plan was agreed for the integration of the Audit team and Fraud team and the existing teams started consolidating into one team. Appendix B sets out the revised staffing structure for the new team.
- 3.7. In June 2012, the Council appointed Henderson Loggie, Chartered Accountants, to provide interim support to the Audit and Fraud team, pending readvertisement of the Audit and Fraud Team Leader post. During the summer, Henderson Loggie have supported the Revenues and Payments Manager is preparing the Annual Audit and Fraud Plan for 2012/13.
- 3.8. The work within the Annual Plan incorporated both audits and fraud reviews taking cognisance of the broadened skills and experience of the staff.
- 3.9. A risk based approach has been used in pulling together these plans which take account of the significant corporate and service risks currently facing the Council. The main priorities, aims and objectives of the Council and its key partners, as set out in the Single Outcome Agreement (SOA) and the Corporate and Service plans, were also considered. In addition, to capture potential areas of audit risk more fully, the Annual Governance Statement Assurance Questionnaires recently completed by Services at the end of 2011/12 were also reviewed and areas for action noted. To confirm areas assessed as 'critical' and 'high' risk meetings were held with many senior managers across the Council. The External Auditors were also consulted on their findings from their review of the control environment to date.
- 3.10. In subsequent years, it is expected that the proportion of time allocated to specific service areas and Value For Money (VFM) reviews will increase provided the key controls are found to be effective in critical and high audit risk areas.
- 3.11. Progress on the 2012-13 Plan will be reported quarterly to Resources and Audit Committee during the remainder of the financial year and an Annual Report will be presented at the end of the financial year. The Annual Report will summarise the key findings from the work completed during the year and provide an opinion on the Council's control environment.
- 3.12. As part of the Interim Support Arrangement, Henderson Loggie have also undertaken risk assessment work which will contribute to the foundation of the Audit and Fraud Plan 2013/14. This will form part of the hand over to the newly appointed Audit and Fraud Leader. The first key priority for the Audit and Fraud Team Leader, once in post, will be the completion of the Audit and Fraud Annual Plan for 2013-14 and the presentation of the Plan to the Resources and Audit Committee by the May 2013 meeting.

4.0 Sustainability Implications

4.1. There are no sustainability implications.

5.0 Resource Implications

5.1. *Financial Details*

5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes

5.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes

5.4. *Staffing*

5.5. None

6.0 Exempt Reports

6.1. Is this report exempt? Yes (please detail the reasons for exemption below) No

7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box)

- The area has a positive image and attracts people and businesses
- Our communities are more cohesive and inclusive
- People are better skilled, trained and ready for learning and employment
- Our communities are safer
- Vulnerable people and families are supported
- Substance misuse and its effects are reduced
- Health is improving and health inequalities are reducing
- The environment is protected and enhanced for all
- The Council is effective, efficient and recognised for excellence

(2) **Council Policies** (Please detail)

Financial Regulations

8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?
 Yes No

9.0 Legality

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

10.0 Appendices

10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix A - Annual Plan for 2012-13

Appendix B - Integrated Audit and Fraud Team Structure

11.0 Background Papers

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes (please list the documents below) No



Internal audit Options Appraisal - Phase 2

Cipfa Code of Practice for Internal Audit in Local Government

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Approved by

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Clackmannanshire Council

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Appendix A

Area	Service	Weeks	Risk	Quarter	Scope
Corporate Governance Arrangements					
Annual Assurance Report	Corporate	10	H	Q1 to 4	This includes preparing an annual report for the Committee and input into the Annual Governance Statement (AGS) assurance process for the 2011-12 and 2012-13 accounts.
Corporate Audits					
Risk Management Arrangements	Corporate & a selection of services	5	H	Q3	This will consider the corporate risk strategy, register and arrangements and will also examine the risk management arrangements in place at a selection of services.
Data Protection - Corporate	Corporate	4	H	Q1	This considered the corporate arrangements for ensuring compliance with Data Protection legislation.
Completion of the ALEOs reviews & other prior years reviews	Corporate	4	H	Q1	This included finalising reports from earlier years plans.
Financial Systems & Procedures					
Income Collection and Cash Receipting	Support Services- Finance/Accountancy	5	M	Q 3	This review will examine the procedures and arrangements in place for the invoicing, collection and recovery of sundry debt across the Council and review the cash collection arrangements at the main CAPs. It will also include a review of the reconciliations of income receipted through the cash receipting system and posting to the main debtor and income ledgers and key income and revenue systems, including Rents, Council Tax and NDRI systems.
Non- Domestic Rates Income (NDRI)	Corporate Support Services- Revenues	6	M	Q4	This review will seek to confirm that the expected key controls for the NDRI system are in place and operating effectively.

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Audit and Fraud Annual Plan 2012-13

Appendix A

Area	Service	Weeks	Risk	Quarter	Scope
Purchase Orders to Payment of Suppliers	Corporate & Revenues & Payments	6	H	Q4	This review will include a review of the key controls in place for purchases, including the maintenance of the creditors ledger, access and authorisation, segregation of duties and compliance with the Council's purchasing procedures for items below the tendering limits.
Corporate Fraud					
Fraud Detection and Recovery	Audit and Fraud	50	H	Q1 to 4	This includes fraud detection measures including corporate and benefit specific investigations, sanctions and recovery.
National Fraud initiative	All Services submitting data	8	H	Q2 to Q4	The Audit and Fraud Team will lead on this national initiative, planning and co-ordinating services data submission.
Data matching	All Services	4	H	Q4	Creation of Data Matching Policy and implementation of data matching risk assessment and arrangements, including undertaking of data matching for fraud and error detection purposes.
Anti-Fraud Strategy and Associated Policies	Corporate and Finance & Corporate Services	4	H	Q3	A review of all fraud policies, procedures, local codes, registers of interest and hospitality and related regulations and prosecution policies to ensure that these are aligned and integrated, up to date and fit for purpose.
Fraud Training	Corporate and all services	5	H	Q3	Develop a fraud training package and deliver it across the services for managers and Team Leaders.
Other					
Follow Up		4	-	Quarterly	This will follow up the progress of recommendations from previous reports.

Clackmannanshire Council

Audit and Fraud Annual Plan 2012-13

Appendix A

Area	Service	Weeks	Risk	Quarter	Scope
Joint Board Audit Plan					
Annual Assurance Report	Valuation Joint Board	3	H	Q1, 2 & 4	This includes preparing an annual report for the Committee and input into the Annual Governance Statement (AGS) assurance process for the 2011-12 and 2012-13 accounts.
Valuation Roll- Non Domestic Properties	Valuation Joint Board	2	M	Q4	This will review the arrangements for ordering, invoicing and payment of revenue expenditure.
Total Time Allocated to Annual Plan		120			

Integrated Audit and Fraud Team Structure

