

STRATEGIC AUDIT PLAN 2005/06 to 2008/09

LEAD OFFICER: Tim Capper

REPORT AUTHOR: Marilyn Robinson

1.0 INTRODUCTION

1.1 The principal role of Audit Services is to assist the Head of Finance & Business Development in carrying out the statutory S.151 role and to provide a service to Members and all levels of management in ensuring that arrangements are in place to carry out the Council's business securely and efficiently. Audit Services will review the financial and business systems, in order to evaluate and report upon the adequacy of internal control, as a contribution to the proper, economic, efficient and effective use of resources.

2.0 AUDIT RESOURCES

2.1 The Audit Plan for 2005/06 is based on an establishment of 4 Full Time Equivalent (FTE) posts. This includes an additional half-post that has been approved as part of the Corporate Restructure. It is expected that this post can be filled by 1 June 2005. This extra resource has been added to "contingency/responsive" days as any new recruit will require training and supervision. Audits can be brought forward from 2006/07, depending upon progress and the Plan will again be revised in March 2006.

3.0 REVISED STRATEGIC PLAN

3.1 The Strategic Audit Plan, attached as Appendix A, is revised on an annual basis following a risk assessment exercise and takes into account progress made in the previous year and any comments from CorporateTeam, Management Group and the External Auditor. A risk assessment sheet is completed for each Business Unit's activities, taking into account the type of risk involved in that kind of activity and what we know about it from previous audits. This risk score is then transferred to a summary worksheet, which sorts the scores in order of the highest risk and calculates how many days should be allocated from the audit days available. These automatically calculated days are then adjusted, where necessary, in the light of previous audit experience. Following this adjustment, if there are then insufficient audit days available, the lowest risk activities will be deferred until the following year. A copy of the risk assessment summary is shown at Appendix B. Any new information is built into the risk assessment exercise at the end of every year.

3.2 The annual risk assessment exercise was carried out in December 2004 to support the request for additional audit resources. The revised Strategic Plan is now submitted for review by the Audit Sub Group.

3.3 In addition to audits arising from the risk assessment exercise, in carrying out the managed audit for the External Auditor, we undertake annual audits of the 11 main financial systems:-

Loans & Investments	Wages	Salaries
Benefits	Capital Accounting	
Sundry Debtors	Council Tax	
Creditors	Cash Receipting	
Main Accounting System	National Non Domestic Rates	

3.4 Following the introduction in 2001/02 of the new Code of Practice for the external auditors, internal audit included additional provision for the following in the internal audit plan:-

- Annual systems work:-
 - budgetary process / budgetary control
 - systems for performance indicators
 - systems for grant claims (e.g. Benefits, Council Tax / NNDR claims, ERDF/ESF/SRB claims)
 - Best Value Management Arrangements
 - Computerised fraud checks

- Attendance at meetings re Risk Management and E. Government.

From 2005/06 onwards, the external auditors have also requested that we undertake work on the audit of the Housing Benefit Subsidy claim, which they would have previously undertaken.

3.5 The additional work listed above has been incorporated by improving efficiency with the introduction of computer assisted audit techniques e.g. sampling data. We have reduced time spent on Value for Money studies (this should be addressed by Best Value Service Reviews). An additional half-post has also been approved with effect from 1 June 2005.

3.6 A summary of the main areas of audit work for 2005/06 is given below:-

Type of Audit Work	Days	% of audit days
Systems	386	46%
Regularity	88	11%
Contract	16	2%
Value for Money (VFM)	25	3%
Contingency / Responsive	177	21%
Admin/Mgt/Training/Committees	131	16%
Best Value: System Audit, Advice	12	1%
Non Audit work	0	0%
TOTAL	835	100%

NB. Computer audit has now been included as part of the systems audits, rather than as a separate audit.

3.7 In carrying out the above areas of work, attention will also be given to the prevention and detection of fraud and corruption. Systems work will include an assessment of controls in a computerised environment. Computer audit tests will be undertaken using IDEA audit software.

3.8 We will also check for redundant checks or controls in each system, as part of a drive to reduce bureaucracy, whilst maintaining essential checks and controls.

4.0 MONITORING AND REPORTING

4.1 Progress against the plan will be monitored on a monthly basis and reported to the Head of Finance & Business Development. Quarterly monitoring reports will be submitted to the Audit Sub Group.

5.0 OVERVIEW AND SCRUTINY

5.1 The Audit sub-group of the Overview and Scrutiny Committee for Performance and Resources has examined the plan and used it as a basis for their recommendation for an additional part-time post in audit, which was accepted.

5.2 In examining the final version of the plan, the Audit Sub-group noted the need to move a five year plan. Other Cumbrian Authorities had moved to a 1 year audit plan due to ever-changing priorities, however it was felt that this would not give the required overview of audit coverage over a number of years. Noting the number of areas which had never been audited, Members sought assurance that appropriate risk assessments had been carried out. Their remarks were noted by the full Committee.

6.0 RECOMMENDATION TO COUNCIL

Council is invited to adopt the Strategic Audit Plan.

List of Appendices:

[Appendix A - Strategic Audit Plan](#)

[Appendix B - Risk Assessment Summary](#)

List of Background Documents: Audit Plan 2005/06 file

Officers Consulted: Corporate Team

Consultees on the Audit Plan: Corporate Team, Management Group, External Auditor

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