

STRATEGIC AUDIT PLAN 2006/07 to 2008/09

LEAD OFFICER: Sue Borwick

REPORT AUTHOR: Marilyn Robinson

Summary: This report sets out the revised Strategic Audit Plan for 2006/07 to 2008/09, based on the current man-days and budget available.

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| Recommendation: That Members approve the Strategic Audit Plan. |
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Resource Implications: None directly arising from this report.

Key Decision Status: None

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. The Audit Plan is also designed to meet the requirements of the external auditor, as set out in the Audit Commission Internal Audit Protocol. 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 2006/07 is based on an establishment of 4 Full Time Equivalent (FTE) posts. A part-time Audit Technical Officer has resigned, with effect from 15 May 2006. It is expected that this post can be filled by 14 July 2006. Allowance has been made in the Plan for "Non audit work / training". This is to cover management of the Fraud Team (largely Benefits Fraud) and any corporate training required. By recording this separately, it will make any benchmarking exercises with other audit sections more directly comparable.

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 Corporate Team, 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 April 2006. The revised Strategic Plan is now submitted for review by the Audit Committee.

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 12 main financial systems:-

| | |
|------------------------|-----------------------------|
| Loans & Investments | Payroll |
| Benefits | Capital Accounting |
| Sundry Debtors | Council Tax |
| Creditors | Cash Receipting |
| Main Accounting System | National Non Domestic Rates |
| Budgetary Process | Final Accounts Process |

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:-

- performance indicators
- systems for grant claims (e.g. NNDR claims, ERDF/ESF/SRB claims)
- Best Value Management Arrangements
- Computerised fraud checks
- E. Government arrangements

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 Fundamental Service Reviews). The transfer of Leisure Services to a Trust will save, based on 2005/06, 52 days per year. This will allow more time to be spent on IT audit (in line with CIPFA computer audit guidelines) and on reviewing business risks.

3.6 A summary of the main areas of audit work for 2006/07 is given below:-

| Type of Audit Work | Days | % of audit days |
|---|-------------|------------------------|
| Systems | 398 | 48% |
| Regularity | 72 | 9% |
| Contract | 12 | 2% |
| Value for Money (VFM) | 25 | 3% |
| Contingency / Responsive | 75 | 9% |
| Admin/Mgt/Training/Committees | 174 | 21% |
| Best Value: System Audit / PI's | 10 | 1% |
| Non Audit work [Mgt of Fraud Team / Corporate Training] | 60 | 7% |
| TOTAL | 826 | 100% |

NB. Computer audit is included as part of the systems audits, rather than as separate audits.

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 Committee.

List of Appendices:

[Appendix A - Strategic Audit Plan](#)

[Appendix B - Risk Assessment Summary](#)

List of Background Documents: Audit Plan 2006/07 file

Officers Consulted: Corporate Team, Management Group, External Auditor