

STRATEGIC AUDIT PLAN 2007/08 to 2008/09

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Summary: This report sets out the revised Strategic Audit Plan for 2007/08 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: Use of ear-marked funding to buy in specialized computer audit. Estimate of £3,000 for 8 days.

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 2007/08 is based on an establishment of 4 Full Time Equivalent (FTE) posts, including the Audit and Fraud Prevention Manager. 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 RISK BASED APPROACH TO AUDIT

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.

- 3.2 Whilst management is focused on managing the key strategic and operational risks to achieving objectives, internal audit seeks to give assurance on other risks arising over:-
- the reliability and integrity of operational and financial information;
 - the safe-keeping of financial and non-financial assets;
 - projects, systems development and change; and
 - compliance with relevant legislation.
- 3.3 A risk assessment sheet is completed for each Service 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. Allowance is made for the main financial systems audits and other audit activities which must be carried out every year (see Appendix C). The remaining days available are then allocated to audits with the highest risk scores. If there are insufficient audit days available, the lowest risk activities will be deferred. 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.
- 3.4 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 |
- 3.5 Following the introduction in 2001/02 of a 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
 - computerised fraud checks
 - E. Government arrangements
- 3.6 The transfer of Leisure Services to a Trust has saved around 52 audit days per year. This will allow more time to be spent on IT audit (in line

with CIPFA computer audit guidelines) and on reviewing the management of business risks.

3.7 A summary of the main areas of audit work for 2007/08 is given below:-

| Type of Audit Work | Days | % of audit days |
|---|-------------|------------------------|
| Systems | 426.5 | 50% |
| Regularity | 62 | 7% |
| Contract | 16.5 | 2% |
| Computer audit | | |
| Value for Money (VFM) | 25 | 3% |
| Contingency / Responsive | 70 | 8% |
| Admin/Mgt/Training/Committees | 214 | 25% |
| Best Value: Performance Indicators | 10 | 1% |
| Non Audit work [Management of Fraud Team / Corporate Training] | 23 | 3% |
| TOTAL | 847 | 100% |

NB. Computer audit is included as part of the systems audits, as well as the specific IT audits included in the Plan.

3.8 Systems work will include a review of controls relating to the prevention and detection of fraud and corruption. Computer audit tests will be undertaken using IDEA audit software. Technical computer audit will be carried out by a specialist computer auditor. This will include Business Continuity arrangements and e-commerce arrangements.

3.9 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](#)

[Appendix C – Annual Audit Days available](#)

List of Background Documents:

Officers Consulted:

Audit Plan 2007/08 file
Corporate Team, Management
Group, External Auditor