

**INTERNAL AUDIT SERVICE
INTERNAL AUDIT PLAN 2006-07
(Report by the Internal Audit Manager)**

1. PURPOSE

- 1.1** To consider the interim internal audit plan for 2006-07, attached at Annex A and invite the Panel to comment upon the plan prior to it being formally agreed by the Head of Financial Services.

2. STRATEGIC & ANNUAL PLANNING

- 2.1** The Internal Audit Manager is required to provide an opinion on the whole of the Council's internal control environment each year. This opinion also assists the Chief Executive and this Panel when they are preparing the Council's annual assurance statement. The work that is undertaken to allow this opinion is governed in the main by the annual audit plan.
- 2.2** The Internal Audit Service maintains a four year strategic audit plan, listing all the risk and system areas that are considered likely to affect the Council's internal control environment. The strategic plan shows the relative importance of each risk and system area and the frequency with which it should be audited. There are currently some 150 areas listed in this plan.
- 2.3** To prepare the annual audit plan, the strategic plan is reviewed and audits placed in priority order. The highest priority schemes which can be delivered within the resources available are then included. Audit days are assigned to each area in the plan and then compared to the available resources available. The total days required to complete the four year strategic plan exceed current audit resources.
- 2.4** If it is considered that the area is being audited too frequently or not frequently enough then the level of audit resources will need to be reviewed. Some of the current uncertainties, referred to in the paragraphs below are only temporary but once the risk register has been re-aligned it will be possible to reassess the strategic plan and consider this issue. Current expectations are that it is more likely to result in the need to consider an increase than a reduction. Any such review would need to take account of the full implications for corporate governance and the views of the external auditors and the S151 officer.

3. RISK REGISTER

- 3.1** As outlined in the Internal Audit Strategy approved by the Panel in August 2004, it was anticipated that the risk register would be robust enough to allow the 2006-07 strategic audit plan to be based upon it. This has not been possible.
- 3.2** The risk register currently identifies both strategic and operational risks. Work is currently being undertaken to review the risk register against both the Corporate Plan and Service Outcomes listed in the corporate scorecard.

Once the review has been completed the focus of the register will change. It will include risks that are considered to be key barriers to the delivery of the Council's outcomes and affect the corporate governance assurance framework. This will then become the prime document on which the strategic audit plan will be based.

- 3.3** As this work is not yet complete the attached audit plan reflects by and large the 'traditional' planning process that has been in use for a number of years. It is anticipated that the review of the risk register will have been completed before the June meeting of the Panel and will lead to changes in the content of the plan and priorities.

4 RESOURCING THE AUDIT PLAN

- 4.1** Two issues relating to staffing matters (maternity leave and the appointment of a computer audit partner) will affect the overall breadth of coverage in the 2006-07 plan and consequently the level of assurance that Panel will be able to take from the Audit Manager's annual opinion statement.
- 4.2** It is probable that one auditor will be absent for the whole of 2006-07 on maternity leave. Whilst action is being taken to provide temporary cover, as far as funding allows once maternity pay has been allowed for, it is also likely that anyone appointed will be less skilled and/or productive. Thus there will inevitably be a loss of audit days.
- 4.3** The current computer audit contract ends on 31 March 2006. There had been plans to jointly tender for this service with the Cambridgeshire Police Authority in order to gain efficiency savings. Due to the proposed Police reorganisation this initiative has had to be shelved resulting in a delayed re-tendering process. Tenders are due to be opened on 31 March.
- 4.4** The delay to the tendering process has allowed the computer audit contract to be amended to provide a further option for covering the maternity leave. Suppliers have been asked to provide prices for both computer audit and general audit work. Obviously a private firm will charge more per day than the cost of an employed auditor and so this option would only be used for specialist work or as a last resort.
- 4.5** As there is such uncertainty over the number of audit days that will be available and whether the computer audit price will be affordable the interim audit plan for 2006-07 is currently cautious in its coverage.

5 REVISED AUDIT PLAN

- 5.1** Once these issues have been clarified or resolved a revised plan will be prepared and submitted to the Panel's June meeting. The revised plan will take into account available days, the amended risk register and changes to the strategic audit plan.

6. RECOMMENDATION

6.1 It is recommended that the Panel:

- consider the interim Annual Audit Plan and determine whether they wish to make any comments to the Head of Financial Services
- note the approach to be taken to revising the Plan during the year.

ACCESS TO INFORMATION ACT 1985
Strategic Audit Plan

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Internal Audit Service
Interim Internal Audit
&
Assurance Plan
2006-07

2006-07 Interim Internal Audit & Assurance Plan

The 2006-07 Interim Internal Audit & Assurance Plan has been prepared in accordance with best practice as contained in the CIPFA Code of Practice for Internal Audit.

The Code requires that Internal Audit provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment and that the opinion should support the Statement on Internal Control. The plan has therefore been developed to take account of this requirement and provides the opportunity for reviews of corporate governance, risk management and operational controls to be undertaken as well as the more traditional financial areas.

Uncertainty as to the number of audit days that will be available during the year, due to both maternity leave and the current computer audit tendering exercise, means that the plan currently provides significantly less coverage than previous years. I anticipate that the revised plan which will be presented to the June meeting of the Corporate Governance Panel will increase the coverage.

The external auditors have provided information regarding the areas that they wish to see internal audit cover when undertaking reviews of the main financial systems. It is anticipated that good relations with the external auditors will continue during the year.

A summary of the audits is contained in the following pages together with the name of the Liaison Officer responsible for dealing with any audit report or other issue that arises from an audit review. Apart from undertaking the audits detailed in the plan, internal audit are also likely to be involved in providing advice and assistance with regard to the annual assurance opinion, dealing with whistleblowing allegations received and the national fraud initiative. Internal audit will also provide a more integrated approach to Risk management and have a budget for the additional provision of external audits to allow this to happen.

Unlike previous years, a separate list showing audits in priority order has not been prepared at this stage. The June review will include this.

David Harwood
Audit Manager
6 March 2006

Corporate Systems

Corporate Governance Arrangements: P Watkins 10
The audit will review the robustness and completeness of procedures and processes etc against the Code of Corporate Governance.

Service Plan Delivery: I Leatherbarrow 30
This review will examine the linkage between the achievement of the service plan, budget provision and MTP bids.

Disposal of Electronic & Paper Information: C Hall 10
In view of the recent Information Tribunal Ruling this audit will examine the 'deletion/elimination' of electronic data and how paper based information is stored and disposed of.

Total Allocation 50

Financial Systems

National Non Domestic Rates: J Barber 10
To review on an annual basis a particular aspect of the NNDR system. This year's review will examine the valuation list, incl. liaison with the Valuation Office and notifications, amendments and reconciliations.

Housing Benefits: J Barber 15
To review on an annual basis the administration of the Housing Benefit systems. This year's review will examine overpayments and recovery, subsidy claim, training and performance management. Areas considered to be key operational and financial controls identified within Housing Benefit & Council Tax Performance Standards appropriate to this area will also be considered.

Creditors: S Couper 15
To review on a cyclical basis specific areas of the creditors system. This years review will examine the purchase ledger (including batch payments, urgent payments, the use of manual order books/obtaining goods without an order, receipting of goods) and review the controls introduced to address key fraud related areas.

Main Accounting System: S Couper 10
To review the procedures that accompany the Cfax financial management system. This will include the control of journals, accounting codes, feeder system reconciliation's, and the transfer of opening and closing balances between financial years. This area was last reviewed in January 2004 and received a limited opinion.

Integrated Payroll & Personnel System: P Duerden 20
This system is reviewed on an annual basis. The review will examine the procedures followed to manage statutory and voluntary deductions from payroll.

Total Allocation 70

Commerce & Technology**Concessionary Public Transport Fares: J Barber**

8

A new concessionary fare scheme is to be introduced from April 2006. The MTP has allocated £232k for the scheme in the 2006-07 and future years. This review will examine the management of the scheme.

Loans & Investments: S Couper

8

This audit will review the management of loans and investments against the Treasury Management Strategy. The implementation of previously agreed audit actions will also be reviewed. The area was last reviewed in December 2003.

Total Allocation 16

Central Services**Gifts, Hospitality & Register of Interests: R Reeves**

5

To examine the procedures in place for the recording of gifts or hospitality received or given by both Members and Officers in accordance with the Local Government Act 2000. This area was last reviewed in December 2001 and received an adequate opinion

Leisure Centres: R Reeves

35

To continually review across the 5 Leisure Centres specific areas of their operation. This year's review will examine the financial management of the Centres including cash income controls and the provision of management information.

Leisure Centres – Bars & Catering: R Reeves

15

To continually review across the 5 Leisure Centres specific areas of their operation. This year's review will examine purchasing procedures, commitment/budget management and cash imprests.

Licensing: R Reeves

12

The Licensing Act 2003 required the Council to undertake duties previously performed by the Magistrates Courts. This review will examine the administrative procedures introduced to manage the receipt, review and granting of licence applications. Work will also be undertaken to review the taxi and private hire vehicle applications. This area was last reviewed in September 2000 and received an adequate opinion.

Land Charges: R Reeves

10

A review of the systems and procedures for the administration and collection of Land Charge income. This area was last reviewed in October 2001 and was considered to have a high level of control.

Total Allocation 77

ICT Audit

Post Implementation Review: C Hall

A series of PIR's is to be undertaken to examine the success or otherwise of ICT enabled projects. The timing of, and selection of the project to be reviewed, will be determined during the year as projects 'go-live'.

10

Total Allocation 10

Operational Services

Homelessness: S Plant

To examine the systems and procedures for the management of homeless families. This area was last reviewed in August 2001 and received an adequate level of assurance.

10

On & Off Street Parking: R Ward

This audit will examine the management of parking charges and excess charges. This audit was last reviewed in May 2001 and received an adequate opinion.

10

Markets: R Ward

This audit will examine the management of street markets, specifically the procedures for the receipt and accounting for income. This area was last reviewed in October 2001 and was considered to have a low level of control.

10

Planning, Building & Development Control Fees

This area was last reviewed in December 1998. This review will examine the systems and procedures in place to administer all fee income. The implementation of previously agreed recommendations will also be reviewed.

10

Total Allocation 40

Contract Audit

Service/Supply Contract:

The annual assurance statement identifies compliance with the Code of Procurement as an area for improvement. This audit will examine individual service and supply contracts that have been entered into and review the tendering process and procedures followed during the currency of the contract.

10

Total Allocation 10