

**INTERNAL AUDIT SERVICE:
INTERNAL AUDIT PLAN
(Report by the Audit & Risk Manager)**

1. PURPOSE

- 1.1 To allow the Panel to comment on the internal audit plan for the 12 month period commencing August 2010 before it is finalised. The plan is attached.

2. STRATEGIC AND ANNUAL PLANNING

- 2.1 The Audit and Risk Manager is required, by the 2006 CIPFA Code of Practice for Internal Audit, to provide an opinion on the overall adequacy and effectiveness of the Council's control environment. The annual audit plan provides the majority of the information for his assessment to be made. This opinion is a key element that the Chief Executive and the Panel will consider when they are reviewing elements of the assurance framework and preparing the Council's annual assurance statement.
- 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. Risks recorded in the risk register have been included in the strategic plan. This has led to a number of audit areas being combined so that audits can address common risk themes across services, rather than be conducted on a service by service basis.
- 2.3 To prepare the annual audit plan, the strategic plan is first reviewed and audits placed in priority order. The highest priority schemes which can be delivered within the resources available are then included in the annual audit plan which, following the comments of this Panel, will be determined by the Director of Commerce and Technology as the Council's chief financial officer.

3. RESOURCING THE AUDIT PLAN

- 3.1 The Internal Audit structure included the Audit and Risk Manager and 3 full time equivalents (FTE) of auditors. The main elements of their work are the delivery of the annual audit plan, provision of a wide range of advice and assistance to staff across the Council and undertaking fraud and whistleblowing investigations.
- 3.2 One of the auditors has retired and another has reduced from full time to half time following maternity. Given the Council's financial position the opportunity was taken to consider whether the post needed to be filled. It was decided that 0.5 FTE could be given up as a minimum and potentially 0.7 FTE dependent upon the expectations of the Council's new external auditors and accordingly a 0.8FTE auditor could be appointed. This proposal was made to the Employment Panel and approved in May. (Copy of proposal attached at Annex C)
- 3.3 Since that time discussion has been ongoing with Heads of Service and Directors on the audit programme for next year and it has been possible to remove or defer a small number of audits.

3.4 More significantly, further consideration has been given to the following options:

- The decision as to which areas do not need audit at all is clearly subjective and it would be possible to delete some of the lowest risk audits from the strategic plan. The audits that could be removed are shown in Annex B along with a brief explanation.
- It would be possible to focus each audit on the most significant aspects and omit consideration of items that were marginal risks.
- The remaining planned audits could be supplemented by a 'light touch' self assessment scheme. This would require Managers to complete a check list where significant service, system or personnel changes had occurred. The results would lead to some specific simplified audits thus mitigating the impact of the two options above and providing some level of assurance.

3.5 The Director of Commerce and Technology plans to trial these options over the next year and the approved recruitment will therefore be deferred. A report will be presented to this panel next June on the trial and the Panel will have the opportunity to judge the practical impact on the level of assurance. The views of the new external auditors can also be taken into account.

3.6 This approach will leave a shortfall of resources across the strategic audit plan of 219 days (55 days/year) which could, as necessary, be filled by:

- the use of Deloitte's, our computer audit partner, as they have already been used to undertake a number of general audits in the current audit year.
- other external providers.
- any, appropriately competent, available resources within the Council's existing staff.

3.7 During the current year the total savings expected from introducing the proposals outlined in this section will be of the order of £47k subject to no increased requirements from the Council's new external auditor.

4. RECOMMENDATION

4.1 It is recommended that the Panel:

- a) identify any comments they wish to make to the Director of Commerce and Technology before he finalises the audit plan; and
- b) note the trial of the revised audit approach and the forecast saving.

ACCESS TO INFORMATION ACT 1985

Strategic Audit Plan

The Council's Risk Register

Contact Officer: David Harwood, Audit & Risk Manager ☎ **01480 388115**