

Audit and Governance Committee

13 May 2008

Report of the Assistant Director (Audit and Risk Management)

Annual Audit and Fraud Plan for 2008/09

Summary

- 1 The purpose of this report is to seek Members' approval for the planned programme of audit and fraud work to be undertaken in 2008/09.

Background

- 2 Under the Council's Constitution, the Audit and Governance Committee has delegated authority to approve the annual Audit Plan. In accordance with the CIPFA Code of Practice for Internal Audit, and in line with previous years' practice, the Audit Plan is based on a detailed risk assessment process. This process scores each 'auditable' area against a series of criteria, including materiality, system complexity, an assessment of the control environment and the risk of fraud and corruption. The results of previous audit work or external inspections together with issues identified through the corporate risk management process are also used to inform the audit risk assessment.
- 3 Each 'auditable' area within the risk assessment is prioritised as high, medium or low risk. The overall assessment is used to help prioritise the allocation of audit resources in the context of a five year Strategic Audit Plan, so as to ensure that;
 - a) high risk areas are reviewed on an annual basis;
 - b) medium risk areas are reviewed every two or three years;
 - c) low risk areas are reviewed once every five years (subject to resourcing constraints).
- 4 The 2008/09 Internal Audit Plan is intended to address the known key strategic risks and challenges facing the Council over the coming financial year. A Counter Fraud Activity Plan has also been prepared showing the main areas of work planned for 2008/09. The Plan details available resources, proposed anti-fraud activities, and expected outcomes.

2008/09 Internal Audit Plan

- 5 A copy of the draft 2008/09 Internal Audit Plan is attached as Annex 1.
- 6 The total number of planned audit days for 2008/09 is 1392, based on existing resources within the team. However, current staffing levels do not allow all the identified systems and other auditable areas within the Strategic Plan to be reviewed in accordance with the required frequency. As with previous annual audit plans, priority has therefore been given to 'high' and 'medium' risk areas. In preparing the Plan, account has also taken of the following factors;
 - a) The risks inherent in individual audit areas, and the length of time since the previous review;
 - b) Planned work to be undertaken by other departments within the Council or external agencies;
 - c) Areas of known weakness, for example issues identified through the CPA process or from compiling the Annual Governance Statement;
 - d) The need to ensure that the Audit Commission can place reliance on the work of internal audit to minimise their 'opinion' work, and hence reduce the cost to the Council of discharging their external audit responsibilities. (Note that this necessitates a relatively high proportion of time to be spent reviewing corporate systems such as payroll and creditors);
 - e) Work required to support the preparation of the Annual Governance Statement and the Breaches and Waivers report.
 - f) Resources required to investigate possible fraud and corruption and participate in the Audit Commission's National Fraud Initiative.
 - g) Contingency time needed to undertake urgent or unplanned work, which may arise during the year.
- 7 The Plan includes specific systems audits and establishment audits identified through the risk assessment exercise. In addition, time has been allocated to undertake six monthly follow up reviews. These reviews are intended to provide assurance that agreed recommendations have been implemented by management. Details of the progress made by managers to implement recommendations is reported to the S151 Officer, relevant Directors and the Audit and Governance Committee.
- 8 Time has also been allocated to provide ongoing support and advice to managers in respect of the design, implementation and operation of appropriate controls. As noted above, the Plan also includes provision for undertaking special investigations (90 days) in addition to a general contingency of 90 days.

- 9 It is recognised that changes may need to be made to the Audit Plan through the year as a result of new or changed priorities and/or as risks are identified. As in previous years, all variations to the Audit Plan will be reviewed and approved by the AD (Resources) ARM, who is then responsible for reporting any approved changes to the S151 Officer and the Audit and Governance Committee for information. It is also important to note that the particular scope and focus of any individual audit may change to reflect any further weaknesses and risks identified during the planning process for that audit. Once the Plan is approved, the timings of the individual audits will be agreed with the relevant chief officers and service departments.
- 10 The draft Plan also includes an allocation of time (200 days) to undertake value for money (VFM) review work. A programme of VFM reviews is currently being drawn up in consultation with the directorates. This work will include complex systems and process reviews designed to identify savings, efficiencies and improvements in performance. The programme will support the achievement of the Council's priorities. The work will also help to demonstrate that the Council delivers good value for money (as necessary evidence for the Use of Resources - Key Lines of Enquiry). The review programme is expected to examine services and activities across the Council, including those requested by Directorates themselves and any identified through the Corporate Efficiency Programme.
- 11 In addition to the core audit work, a number of special reviews are planned into specific projects and development areas. Detailed consultation on the scope of these reviews will be undertaken with the relevant directorates and/or project managers.
- 12 The Audit and Governance Committee will be consulted in the autumn as part of the annual review process for updating the audit risk assessment and 5 year Strategic Plan. This review will ensure that proper account continues to be taken of the key strategic risks and priorities facing the Council.

Counter Fraud Activity Plan

- 13 A copy of the draft 2008/09 Counter Fraud Activity Plan is attached as Annex 2. The plan is based on the resources currently available to the Fraud Team, and includes details of:
 - a) planned activities, including joint working
 - b) proactive work
 - c) resource allocation.
- 14 The work of the Fraud team is undertaken in accordance with the Council's counter fraud policy framework (which includes the Financial Regulations, Counter Fraud and Corruption Policy, Fraud and Corruption Prosecution Policy, Whistleblowing Policy, disciplinary procedures, and the Anti-Money Laundering Guidance). Much of the work undertaken by the Fraud team continues to involve the

identification and investigation of suspected fraudulent Housing and Council Tax benefit claims. The team also undertakes financial investigations in accordance with the provisions of the Proceeds of Crime Act 2002, and works closely with Internal Audit on internal fraud investigations. In addition, the team will conduct investigations into a variety of other external types of fraud, for example the misuse of blue badges.

Consultation

- 15 The Chief Finance Officer (the S151 Officer), and Directors have been consulted as part of the process for preparing the 2008/09 Audit Plan. This consultation process has:
- a) helped to confirm that the risk assessment on which the plan is based is reasonable and comprehensive;
 - b) enabled the scope and coverage of individual audits to be refined;
- 16 The Audit Commission has also been consulted on the Audit and Counter Fraud Plans so as to:
- a) avoid any possible duplication of work, and,
 - b) ensure that the Council continues to retain its 'managed audit' status.
- 17 Corporate Management Team considered and agreed the draft programme of audit and fraud work on 23 April 2008, for Members' approval.

Options

- 18 Not relevant for the purpose of the report.

Analysis

- 19 Not relevant for the purpose of the report.

Corporate Priorities

- 20 This report contributes to the Council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. It also contributes to all the improving organisation effectiveness priorities.

Implications

- 21 The implications are;
- **Financial** – there are no financial implications to this report.
 - **Human Resources (HR)** – there are no HR implications to this report.

- **Equalities** - there are no equalities implications to this report.
- **Legal** – there are no legal implications to this report.
- **Crime and Disorder** – there are no crime and disorder implications to this report.
- **Information Technology (IT)** - there are no IT implications to this report.
- **Property** - there are no property implications to this report.

Risk Management Assessment

22 The Council will not comply with the CIPFA Code of Practice for Internal Audit in Local Government if the Audit and Fraud plans are not approved. Any failure to comply with the Code might in turn adversely impact on the Council's CPA score for the Use of Resources.

Recommendation

23 Members are asked to;

- Consider and approve the 2008/09 Internal Audit and Counter Fraud Activity Plans;

Reason

To enable the Audit and Fraud plans to be delivered effectively.

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Report Approved



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Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers

- Audit risk assessment and Strategic Audit Plan

Annexes

Annex 1 – 2008/09 Internal Audit Plan

Annex 2 – 2008/09 Counter Fraud Activity Plan