

Audit and Governance Committee

29 June 2009

Report of the Assistant Director of Resources (Customer Service and Governance)

Annual Internal Audit and Fraud Plan for 2009/10

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 2009/10.

Background

- 2 On an annual basis, the Head of Internal Audit is responsible for drawing up a risk based audit plan setting out the scope of audit work for the coming year. Under the council's constitution, and in line with proper practice, the plan is required to be authorised by the Audit and Governance Committee.

2009/10 Internal Audit Plan

- 3 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.
- 4 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 (subject to resource constraints):
 - 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.
- 5 Current resources do not allow all of the systems and other auditable areas within the strategic plan to be reviewed in accordance with the required frequency. Therefore in compiling the annual plan, priority is given to high and medium risk areas. Consideration is also given to the results of consultation with senior officers and the views of the Audit and

Governance Committee (a consultation report was brought to this committee in March 2009). The following factors are also taken into account:

- a) Planned work to be undertaken by other departments within the council or external agencies.
- b) Areas of known weakness, for example issues identified through the previous CPA process or through compilation of the Annual Governance Statement.
- c) 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 (this necessitates a relatively high proportion of time to be spent reviewing corporate systems such as payroll and creditors).
- d) Resources required to investigate possible fraud and corruption and participate in the Audit Commission's National Fraud Initiative.
- e) Contingency time needed to undertake urgent or unplanned work, which may arise during the year, including special investigations.
- f) The need to undertake follow up work to assess action taken in response to recommendations made by the internal and external auditors.

6 The draft audit plan is included at Annex 1 for approval.

Counter Fraud Activity Plan

7 A copy of the draft 2009/10 counter fraud activity plan is attached as Annex 2. This is based on the resources currently available to the fraud team, and includes details of activity including:

- a) fraud awareness
- b) fraud detection and investigation
- c) proactive work.

Consultation

8 In preparing the 2009/10 audit plan, consultation has been undertaken with key officers including the Chief Finance Officer, Corporate Management Team, departmental management teams and the Audit and Governance Committee.

Options

9 Not relevant for the purpose of the report.

Analysis

10 Not relevant for the purpose of the report.

Corporate Priorities

11 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything it does. It also contributes to the Effective Organisation corporate objective.

Implications

12 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

Risk Management Assessment

13 The council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if the annual audit plan is not approved by the Audit and Governance Committee. This in turn could adversely impact on the council's Use of Resources score and therefore its overall CAA score.

Recommendation

14 Members are asked to

- approve the 2009/10 internal audit and counter fraud activity plans.

Reason

In accordance with the committee's responsibility for overseeing the work of internal audit.

Contact Details

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Report Approved



Date 16 June 2009

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

Annexes

Annex 1 – 2009/10 Internal Audit Plan
Annex 2 – 2009/10 Counter Fraud Activity Plan