

Audit and Governance Committee

14 February 2011

Report of the Assistant Director, Financial Services

Internal Audit Plan Consultation

Summary

- 1 The purpose of the report is to seek members' views on the priorities for internal audit for 2011/12, to inform the preparation of the annual audit plan.

Background

- 2 In accordance with the CIPFA Code of Practice for Internal Audit (the Code of Practice), audit plans are prepared on the basis of a risk assessment process. The risk assessment methodology is designed to ensure that limited audit resources available are prioritised towards those systems and areas which are considered to be the most risky and/or which contribute the most to the achievement of the council's corporate priorities and objectives.
- 3 Consultation with members and with senior council officers is an essential part of the risk assessment process, to ensure that their views on the risks facing the organisation are taken into account.

2011/12 Audit Plan

- 4 Annex 1 shows the internal audit risk assessment for each area subject to audit. The assessment is based on the position at the beginning of 2010/11. Areas are listed in descending order from high to low risk. Historically, audit activity has focussed on those areas listed as a high risk.
- 5 The council is currently experiencing the most significant financial pressures it has faced since its formation in 1996. Major changes are taking place across all council services, with corresponding increases in risk in all areas. Internal audit has a continued responsibility to provide assurance on the council's overall control environment. However, with the current level of resources available it is not possible to achieve this by maintaining a traditional approach to audit which assumes change is limited to discrete areas. Currently, major changes are being made in areas which historically have not been classed as a high risk (for example human resources). And even where changes are not

significant, reductions in resources may mean that services can no longer continue to operate controls to the extent that they have historically.

- 6 To reflect this, the intention is for the 2011/12 audit plan to provide a mix between traditional audits (for example in areas such as the main financial systems where the volume and value of transactions processed are so significant that regular audit is essential) and other reviews targeted towards areas of increased risk due to change. These audits will include (a) direct support to change projects eg housing repairs, to ensure controls being implemented as part of the project are reasonable and (b) a change in focus for existing audits such as budgetary control and value for money, to focus on the achievement of overall council objectives for example by reviewing progress in achieving planned savings.
- 7 Members views are sought about whether:
 - a) the proposed approach to determining priorities for the 2011/12 audit plan, set out above, is reasonable
 - b) there are specific high risk areas in the existing risk assessment (Annex 1) which should continue to be a priority for a more traditional audit review
 - c) there are other specific areas which should be considered for audit in 2011/12.

Consultation

- 8 This report is part of the ongoing consultation with stakeholders on priorities for internal audit work.

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 we do. In doing so it contributes to the corporate objective of making the council an effective organisation.

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 comply with proper practice if audit plans are not based on an appropriate assessment of risk.

Recommendations

- 14 Members are asked to;
- Comment on the proposed approach to internal audit planning for 2011/12 and identify any specific areas which should be considered a priority.

Reason

To ensure that scarce audit resources are used effectively.

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Report Approved



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Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

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For further information please contact the author of the report

Background Papers

None

Annexes Annex 1 – Internal Audit Risk Assessment