

Audit Committee - 10th April 2008

Report of the Director of Finance

Strategic Audit Plan For The Period 2008/2011

Purpose of the Report

1. To inform members of the work that the Audit Services Division plan to undertake during the period from 1st April 2008 to 31st March 2011.

Background

2. The Accounts and Audit Regulations 2006 require that the Council maintains “an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices.” The work of the Audit Services Division enables the Council to comply with this requirement of the Accounts and Audit Regulations. In addition, it provides the Council’s Section 151 officer (the officer with the legal duty to ensure the proper administration of the Council’s financial affairs – in Dudley this is the Director of Finance) with assurance that the financial affairs of the Council are conducted in a proper manner.
3. As part of its work, the Audit Services Division liaise closely with the Audit Commission (the Council’s external auditors) and plans to undertake a level of work on all main financial systems such that the Audit Commission can rely on the work carried out by Audit Services and do not have to undertake their own tests on the systems. The Audit Services Division have consistently completed their planned work in such a manner that the external auditors have been able to rely on that work.
4. The Accounts and Audit Regulations also require that internal audit operates in accordance with proper audit practices and the Chartered Institute of Public Finance and Accountancy (CIPFA) has produced a Code of Practice that the Audit Services Division follows. The scope of internal audit work includes, but is not limited to, financial control arrangements and the Code of Practice requires that the Head of Audit Services considers the results of the Council’s risk management process when determining what should be audited. Such an approach

is, however, dependant upon the Head of Audit Services being satisfied with the quality of the outputs from the risk management process.

5. The Council's risk management strategy continues to be embedded across the Authority and this year has seen the introduction of a new software system to assist in the process. The Head of Audit Services and the Director of Finance agreed that outputs from the risk management process should not be used solely for audit planning purposes at present so, in accordance with the Code, the Head of Audit Services used an additional risk assessment methodology. This is consistent with the assessments used by Audit Services in previous years (and accepted as a reasonable approach by the Council's external auditors).
6. The plan uses the risk assessment to determine the frequency with which the various systems should be audited and the Head of Audit Services balances the need for audit coverage against the available resources. The audit plan does not, therefore, include some of the low risk aspects of the Council's operations. The systems that are assessed as high risk are audited each year whilst others are examined every two, three or four years.
7. Audit Services has consulted with all Directors about the strategic plan, to obtain their views and to identify new activities that should be considered for audit and any activities that are no longer taking place and can be removed from the audit plan. Audit Services amend the strategic plan as necessary, based upon the results of these consultations.
8. Appendices A, B and C provide summaries of actual coverage for the period 1st April 2003 to 31st March 2007, and the strategic plan for the period 1st April 2007 to 31st March 2011.

Finance

9. There are no direct financial implications arising from this report. The cost of internal audit is met from within the base budget of the Finance Directorate.

Law

10. The Account and Audit Regulations 2006 require the Council to have an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices.

Equality Impact

11. This report does not raise any equal opportunities issues.
12. The work included in the audit plan will help to protect the interests of children and young people, albeit they were not consulted on, or involved, with the development of the plan.

Recommendation

13. That members note the content of this report and approve the Strategic Audit Plan for 2008/2011.



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DIRECTOR OF FINANCE

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Appendix A

Audit Coverage 2003 to 2011 : By Directorate

Audit	Actual Coverage				Planned Coverage			
	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11
Adult, Community & Housing	403	357	335	286	291	355	347	340
Chief Executive	25	69	32	84	154	150	148	162
Children's Services	282	317	287	225	271	218	344	249
External Contract - Connexions			45	35	34	34	34	34
Finance, ICT & Procurement	207	238	218	292	335	309	322	306
Honorary	46	28	42	41	28	28	28	28
Law & Property	78	40	149	89	104	81	83	85
Schools	253	280	318	412	560	571	416	471
Urban Environment	325	272	199	202	269	147	158	190
Total [Note 1]	1619	1601	1625	1666	2046	1893	1880	1865
Number of Audits	215	181	181	193	229	204	204	222

Note 1 : The totals are affected by factors such as the number of vacancies, level of maternity leave, sick leave, etc.

Appendix B

Audit Coverage 2003 to 2011 : By Type of Audit

	Actual Coverage				Planned Coverage			
	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11
Capital	173	128	146	86	146	115	105	115
Computer	136	79	118	90	150	165	150	179
Procurement	95	57	69	70	15	99	56	28
Risk Management		13	41	27	53	25	53	25
Major Financial Systems	42	121	93	171	163	117	157	117
Governance		2	4	4	35	30	30	30
Establishment - Schools	253	280	318	412	560	571	416	471
Establishment – Other	175	183	189	166	143	100	195	231
Balance of Planned work	745	738	647	683	790	671	718	669
Special Investigations	199	144	70	174	204	204	204	204
Advice & Support	296	232	260	240	218	211	211	211
TOTAL	2114	1977	1955	2123	2477	2308	2295	2280

Appendix C

Audit Plan : 2007 to 2011 : By Subject

DIRECTORATE	2007/08	2008/09	2009/10	2010/11
CHIEF EXECUTIVE				
Building/Staff/Community Safety & Security		✓	✓	✓
Corporate Governance	✓	✓	✓	✓
Local Area Agreements	✓	✓	✓	✓
Partnership Governance	✓	✓	✓	✓
Emergency Planning	✓		✓	
Corporate Performance Management	✓		✓	
Use of Resources	✓	✓	✓	✓
Project Management	✓	✓	✓	✓
Corporate Data Quality		✓	✓	✓
URBAN ENVIRONMENT				
Business Support		✓	✓	✓
Crematorium & Cemeteries			✓	
Street & Other Maintenance direct operations	✓	✓	✓	✓
Civil Parking/Car Parks	✓	✓		✓
Contracts Administration		✓	✓	✓
Environmental Protection	✓	✓		✓
Waste Disposal	✓			✓
Halls, Museums & Leisure Centres	✓	✓	✓	✓
Parks & Other Land	✓	✓		
Planning	✓		✓	✓
Economic Regeneration	✓	✓	✓	✓
FINANCE, ICT & PROCUREMENT				
Major Financial Systems	✓	✓	✓	✓
ICT Systems	✓	✓	✓	✓
LAW & PROPERTY				
Asset Management	✓	✓	✓	✓
Legal Services	✓	✓	✓	✓
DPC	✓	✓	✓	✓
DACHS - ADULT SERVICES				
District Offices/Services	✓	✓	✓	✓
Residential Homes	✓	✓	✓	✓
Day Centre			✓	✓

DACHS - HOUSING SERVICES				
Housing Repairs	✓	✓	✓	✓
Supporting People	✓	✓	✓	✓
Lettings policies/procedures	✓	✓	✓	✓
DACHS – LIBRARIES, ARCHIVES & ADULT LEARNING				
Neighbourhood Learning Centre		✓	✓	
Libraries	✓	✓	✓	✓
Archives Service			✓	
CHILDRENS SERVICES				
Partnership			✓	✓
External Funding & Grants	✓	✓	✓	
Building Schools for the Future		✓	✓	✓
Extended Schools and Childrens Centres		✓		
School Kitchens	✓	✓	✓	✓
Adult and Community Education	✓			
Youth & Community Service Coordination	✓	✓	✓	
Childcare / Early Years Services	✓	✓	✓	✓
SCHOOLS				
Special Schools	✓	✓		✓
Primary Schools	✓	✓		
Secondary Schools	✓		✓	✓
Financial Management Standard	✓	✓	✓	✓
HONORARY AUDITS	✓	✓	✓	✓
EXTERNAL CONTRACTS - BCCX	✓	✓	✓	✓