

Audit Committee - 19th April 2007

Report of the Director of Finance

Audit Plan For The 2007/2008 Financial Year

Purpose of the Report

1. To inform members of the work that the Audit Services Division plan to undertake during the financial year from 1st April 2007 to 31st March 2008.

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 plan 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. Significant progress continues to be made in refining the Council's risk management strategy. 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). This assessment of the comparative risk was used to develop the 2004/08 strategic audit plan.
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 consulted with all Directors before the strategic plan was produced in 2004 and also consult annually on the content of the annual plan 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 then amend the strategic plan as necessary, based upon the results of these consultations, and the annual plan is those items in the strategic plan that are scheduled for audit in the relevant financial year.
8. It is intended that Audit Services carry out a thorough review of the strategic planning position in September ahead of the March 2008 completion of the current plan.
9. Appendix A identifies those elements of the strategic plan that are scheduled for review during 2007/08.

Finance

10. 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

11. 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

12. This report does not raise any equal opportunities issues.
13. 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

14. That members note the content of this report and approve the audit plan for 2007/2008, as set out in Appendix A.



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DIRECTOR OF FINANCE

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