

Audit Committee

Agenda
Item:

A.5

Meeting Date: 15th April 2013

Portfolio:

Key Decision:

Within Policy and
Budget Framework

Public / Private Public

Title: **STRATEGIC AUDIT PLAN AND AUDIT PLAN FOR 2013/14**

Report of: Director of Resources

Report Number: RD06/13

Purpose / Summary:

This report provides details of the updated Strategic Audit Plan and the proposed Audit Plan for 2013/14.

Recommendations:

Members are requested to:

- Note the report.
- Approve the Internal Audit Plan for 2013/14 attached as APPENDIX A

Tracking

Executive:	Not applicable
Overview and Scrutiny:	Not applicable
Council:	Not applicable

1. **INTRODUCTION**

- 1.1. Under Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988, the Director of Resources is statutorily responsible for the proper administration of the Council's financial affairs.
- 1.2. In addition, the Accounts and Audit Regulations 2011, require the Council to *"undertake an adequate and effective internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control"*.
- 1.3. Audit Services is an important resource in enabling the Director of Resources, the Audit Committee and the Council to fulfil their duties and it is important to ensure that the work of Audit Services is effective so as to give assurance of the probity of the Council's financial affairs. This applies whether these audit services are undertaken fully in-house, via a bought in or managed service or through shared service arrangements.
- 1.4. Carlisle City Council, Cumbria County Council and Copeland Borough Council adopted a shared internal audit service approach in December 2010 to help facilitate an effective system of internal control. The Cumbria Police Authority joined the Shared Internal Audit Service in autumn 2012. The Shared Service also delivers internal audit services to three other clients; the Lake District National Park and, from April 2013, Eden District Council and South Lakeland District Council.
- 1.5. The Audit Plan for 2013/14 has been formulated for Carlisle City Council on the basis of the direct audit days available under this shared service arrangement.
- 1.6. It is appropriate that the annual Audit Plan should be presented to and approved by the Audit Committee at the start of each financial year. This gives Members the opportunity to question the Director of Resources who carries Section 151 responsibility and the Audit Manager on the proposed programme of Internal Audit work for the forthcoming year. It is also appropriate for Members of the Audit Committee to consider the Audit Risk Assessment (Strategic Plan).
- 1.7. Members should note that performance against the 2013/14 Audit Plan, together with any issues arising, will be reported to the Audit Committee on a quarterly basis.

2. STRATEGIC PLAN

- 2.1. The Relevant Internal Audit Standard Setters (which includes CIPFA) have adopted a common set of Public Sector Internal Audit Standards (PSIAS) from 1 April 2013. The Authority is required to comply with the new standards. The standard 2010.A1 states that *“The internal audit activity’s plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.”*
- 2.2. This Council follows the above approach, which accords with current thinking in the Audit Profession and plans only for one year ahead, based on the perceived and changing risks that the Council is facing at any given time.
- 2.3. Risk Assessment Model utilised by Carlisle City is in line with a version that was endorsed by CIPFA and by the Institute of Internal Auditors (IIA-UK). Full details of the Model are available to members on request.
- 2.4. The Strategic Plan (entitled “Audit Risk Assessment – Strategic Risk Based Plan”) has been prepared in line with best audit practice. Individual audit areas featured in the Strategic Audit Plan have been updated based on:
- Risk impact and likelihood as detailed in the Corporate and Operational Risk Registers
 - Known changes to management, systems and procedures;
 - Findings arising from previous audit reviews, last time reviewed, likely benefits of an audit in this area etc.
 - Current cost of the service, the amount of income generated and number of transactions processed.
- 2.5. It is stressed that this Strategic Risk Based approach to audit planning does **not** provide coverage of all audit areas within a given period. Instead, this Model is dynamic and to some extent subjective in areas. It identifies the “risk-areas” which can be addressed over any given timescale, ad-hoc demands etc, with the amounts of audit resources available for the year.
- 2.6. Discussions have been held with all Directors regarding the Strategic Audit Plan for their respective directorates and their comments have been incorporated into the planning arrangements. Reference has been made to those systems that have been identified by directorates as being business critical.

3. ANNUAL AUDIT PLAN 2013/14

- 3.1. The Audit Plan for 2013/14 provides 540 direct audit days to Carlisle City Council. The coverage of the Annual Plan is derived from the outcome of the strategic planning process outlined in section 2. The Senior Management Team has had the opportunity to comment upon the contents of the Draft Annual Plan.
- 3.2. The Draft Annual Audit Plan 2013-14 is attached as **Appendix A**. The figures below show how the total audit time will be utilised during 2013/14:

	No. Planned Audits	Planned Days	% of Plan	
<i>Planned Audits:</i>				
Risk based audit reviews	13	182	34	See para 3.2.1.
Main Financial Systems	11	148	27	See para 3.2.2.
Value for Money / Efficiency	2	40	7	See para 3.2.3.
ICT	2	25	5	See para 3.2.4.
National Fraud Initiative	1	15	3	.

Other Time:

Audit Management, Planning, Committee	-	50	9	See para 3.2.5.
Project Support		20	4	See para 3.2.6.
Counter Fraud	-	10	2	
Contingency	-	40	7	See para 3.2.7.
Follow ups	-	10	2	

Total Planned Audits / Days	29	540	100%	
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- 3.2.1. There are 13 “high risk” audits for completion as part of the 2013-14 Audit Plan. This includes 6 formal follow up audits on ‘restricted’ audits which were delivered in 2012-13. Emphasis of the high risk audits is on the effectiveness of in house monitoring regimes (e.g. contract, performance etc).
- 3.2.2. The main financial systems are fundamental to attaining good corporate governance and stewardship in achieving accountability and transparency. These systems have a high impact on the main financial system and therefore on the Authority’s accounts. These reviews are undertaken regardless of their “risk-score” on an annual basis and External Audit place reliance on this work. There are 11 material audits scheduled for completion in 2013-14. It should be noted that (Housing) Improvement Grants is no longer considered to be a ‘material’ system, as the levels of expenditure in this service area are no longer exceed the financial ‘material value’ threshold.

Appendices A
attached to report:

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Community Engagement – not applicable

Economic Development – not applicable

Governance – not applicable

Local Environment – not applicable

Resources – not applicable

CARLISLE CITY COUNCIL
DRAFT AUDIT PLAN 2013/14

Directorate	Audit Days Allocated	Audit Area	Follow up of 2012-13 audit work
<u>Risk Based Reviews</u>			
Community Engagement	15	Revenues Recovery (to include Housing Benefit Overpayments)	
Community Engagement	12	Customer Contact Centre	Y
Community Engagement	10	Leisure Services Contract	Y
Community Engagement / Economic Development	20	Projects and Partnerships - Stewardship arrangements	
Governance	10	Electoral Payments	
Local Environment	10	Carlisle Cycle Way	Y
Local Environment	15	Recycling Contracts	Y
Local Environment	15	'Clean up Carlisle' - Street Cleaning (education and enforcement)	
Resources	20	Procurement - Tendering and Contracting	Y
Resources	15	External Funding - Compliance and Monitoring Arrangements	
Corporate	15	Records Management Arrangements	Y
Corporate	10	Performance Management - Service Standards	
Corporate	15	Organisational Development & Corporate Training	
	182		

Directorate	Audit Days Allocated	Audit Area
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Value for Money and Efficiency Reviews

Corporate 20 Improvement, Efficiency and VFM Programme

Corporate 20 Charging and Trading - income generation

40

Main Financial System Reviews:

Community Engagement 12 Council Tax

Community Engagement 20 Housing and Council Tax Benefits

Community Engagement 12 National Non Domestic Rates (NNDR)

Resources 20 Main Accounting System (inc Budget Monitoring and Bank Reconciliation)

Resources 15 Fixed Assets

Resources 10 Creditors

Resources 10 Debtors

Resources 12 Payroll

Resources 10 Treasury Management

Resources 12 Income Management

Local Environment 15 Car Parking Income (On and Off street including Contract Parking)

148

ICT Reviews

Resources - ICT Connect 10 Project Management

Resources - ICT Connect 15 IT Developments - use of electronic forms

25

Directorate	Audit Days Allocated	Audit Area
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Project Support

Community Engagement	5	Welfare Reform Changes
Resources	15	Procurement – e Purchasing
	20	

Fraud

Corporate	15	National Fraud Initiative
Corporate	10	Counter Fraud Arrangements / Awareness
	25	

Other

Audit Management, Committee, Planning & Reporting	50
Follow Up of Previous Recommendations	10
Contingency	40
	100

Total Direct Audit Days 2013-14	540
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