

# AUDIT COMMITTEE

CARLISLE  
CITY COUNCIL



**Public**

**Date of Meeting:** 16th April 2012

**Title:** STRATEGIC AUDIT PLAN AND AUDIT PLAN FOR 2012/13

**Report of:** Director of Resources

**Report reference:** RD 03/12

## **Summary:**

This report provides details of the updated Strategic Audit Plan and the proposed Audit Plan for 2012/13.

## **Recommendations:**

Members are requested to: -

- **Consider the revised Audit Risk Assessment (Strategic Risk Based Plan), which is attached at APPENDIX A.**
- **Approve the Internal Audit Plan for 2012/13 attached as APPENDIX B.**

**Contact Officer:** Gill Martin  
Audit Manager

**Ext:** 7294

## CITY OF CARLISLE

To: Audit Committee  
16th April 2012.

RD 03/12

### **STRATEGIC AUDIT PLAN AND AUDIT PLAN 2012/13**

#### **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 formal shared audit service in December 2010, to help facilitate an effective system of internal control. The Audit Plan for 2012/13 has been formulated on the basis of the direct audit days available under this arrangement.
- 1.5 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).
- 1.6 Members should note that performance against the 2012/13 Audit Plan, together with any issues arising, will be reported to the Audit Committee on a quarterly basis.

#### **2 STRATEGIC PLAN**

- 2.1 In accordance with the provisions of the Accounts and Audit Regulations outlined in paragraph 1.1 above, the Authority is required to comply with the "CIPFA Code of

Practice for Internal Audit in Local Government in the United Kingdom”. This Code states that *“Internal Audit should prepare a risk-based audit plan designed to implement the Audit Strategy which is approved by the organisation, taking into account the organisation’s risk - management 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. The agreed method is to use a risk-assessment model to calculate the relative risk related to each area of the Authority’s activities subject to audit review.
- 2.3 Risk Assessment Model utilised by Carlisle City is in line with a version that has been endorsed by CIPFA and by the Institute of Internal Auditors (IIA-UK). Full details of the Model is available to members on request.

### **3 RISK ASSESSMENT MODEL**

- 3.1 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.
- 3.2 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.
- 3.3 It is stressed that this Strategic Risk Based approach to audit planning does **not** provide coverage of all audit areas within a given period i.e. 2012/13. 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 (see 3.6).

3.4 The Audit Risk Assessment – Strategic Risk Based Plan is attached as **Appendix A**. This is presented in two parts.

Part A - General / Corporate Audits (page 7)

Part B – ICT Audits (page 12)

3.4.1 General / Corporate Audits (Part A) lists 104 potential areas for audit review for which the calculated Risk Indicators range from 8 to 97. This gives a range of 90 “risk-points” between the highest and lowest risks, from which the high, medium and low risks have been calculated as follows:-

<b>RISK LEVEL</b>	<b>RISK POINT RANGE</b>	<b>NUMBER OF REVIEWS</b>	<b>%</b>
HIGH	From 68 to 97	8	8
MEDIUM	From 38 to 67	33	32
LOW	From 8 to 37	63	60
<b>TOTAL</b>	<b>From 5 to 87</b>	<b>104</b>	<b>100</b>

3.4.2 ICT Audits (Part B) lists 22 potential ICT audit areas for review for which the calculated Risk Indicators range from 16 to 69. This provides a range of 58 “risk points” between the highest and lowest risks.

<b>RISK LEVEL</b>	<b>RISK POINT RANGE</b>	<b>NUMBER OF REVIEWS</b>	<b>%</b>
HIGH	From 52 to 69	3	14
MEDIUM	From 34 to 51	4	18
LOW	From 16 to 33	15	68
<b>TOTAL</b>	<b>From 16 to 69</b>	<b>22</b>	<b>100</b>

#### 2012/13 Audit Plan

3.5 The 2012/13 Audit Plan provides for 540 direct audit days – this incorporates 3% efficiencies achieved through the commencement of the shared service in 2011/12 and additional cost savings achieved for 2012/13.

3.6 The figures reflect that the total time to be utilised during 2012/13 will facilitate the completion of:

	No. Planned Audits	Planned Days	% of Plan	
<i>Planned Audits:</i>				
High / medium risks	20	231	43	See para 3.6.1.
Low risks	5	40	7	See para 3.6.2.
Main Financial Systems	12	144	27	See para 3.6.3.
ICT	3	30	5	See para 3.6.4.
Total planned time	40	445	82	

*Other Time:*

Audit Management, Planning, Committee	-	45	8	See para 3.6.5.
Counter Fraud	-	10	2	See para 3.6.6.
Contingency	-	30	6	See para 3.6.7.
Follow ups	-	10	2	
Total other time	-	95	18	

<b>Total Direct Days</b>	<b>540</b>	<b>100</b>	<b>41</b>	
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- 3.6.1 There are 8 “high risk” audits, all of which are scheduled for completion as part of the 2012/13 Audit Plan and a further 16 “medium risk” audits have also been selected for review following discussions with senior management.
- 3.6.2 Following the risk based approach, a significant number of audit areas are categorised as “low-risk” – see table at 3.4. It is extremely unlikely that some of these would ever to rank highly enough to warrant an audit review based on their current risk indicator. A revised approach to “low-risk” reviews was agreed by Members at the meeting of this Committee in April 2008. An allowance of 40 days is now included in the Annual Plan to review a small number of low-risk areas in order to gain assurance that the risk-model is operation accurately at both “ends of the scale”.
- 3.6.3 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 as required by the Audit Commission. There are 12 material audits scheduled for completion in 2012/13, a full list of which is included within Appendix B. A small amount of time has been allocated as a contingency for main financial systems to accommodate any additional work required specifically in this area.

- 3.6.4 The plan of ICT audits is maintained separately to the main Risk Based Audit Plan in order to ensure sufficient consideration is given on specific ICT related areas. An allocation of 30 days has been allocated for ICT reviews and 3 audit areas have been selected for review based on the outcome of the risk assessment model and adherence to standard audit planning process. As part of the ICT shared service, a joint audit approach will continue to be facilitated with Allerdale Borough Council for ICT audits wherever possible.
- 3.6.5 Audit Management time of 45 days has been allowed for in the Plan for the purpose of Audit Committee preparation, reporting and attendance, audit planning and other audit management responsibilities.
- 3.6.6 An allocation of 30 days has been made to contingency. This time will be used to address unplanned work arising during the year. This might include fraud, investigations, value for money and other support / smaller reviews.
- 3.6.7 Any significant extra demands on audit time which can not be accommodated within the contingency allocation may require a revision to the Audit Plan. In such instances these revisions would be considered / authorised by the Director of Resources, before being reported as part of the quarterly progress reporting to Audit Committee for members' consideration / approval.

## **4 RECOMMENDATIONS**

4.1 Members are requested to:-

- Consider the "Audit Risk Assessment – Carlisle City Council Strategic Risk Based Plan 2012/13" that is attached at **APPENDIX A**.
- Approve the Audit Plan for 2012/13, attached as **APPENDIX B**.

**Peter Mason**  
**Director of Resources**



**STRATEGIC AUDIT PLAN 2012/13****PART A – GENERAL / CORPORATE STRATEGIC AUDIT PLAN**

Ref	Directorate	Section	Audit Area	Risk Score	Comments
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**High Risks**

1	Resources	Property & Facilities Mgmt	Asset Management	97	<i>selected for review in 2012/13</i>
2	Local Environment	Waste Services	Recycling	86	<i>selected for review in 2012/13</i>
3	Local Environment	Highways	Highways Contract & Claimed Rights	84	<i>selected for review in 2012/13</i>
4	Community Engagement	Customer Services	Customer Contact Centre / Customer Services	80	<i>selected for review in 2012/13</i>
5	Resources	Financial Services	Grants Protocol / Procedures	75	<i>selected for review in 2012/13</i>
6	Local Environment	Waste Services	Refuse Collection	71	<i>selected for review in 2012/13</i>
7	Local Environment	Highways	Street Cleaning	69	<i>selected for review in 2012/13</i>
8	Chief Executive's Office		Data Quality & Records Mgmt	69	<i>selected for review in 2012/13</i>

**Medium Risks:**

9	Local Environment	Bereavement Services	Cemeteries, Crematorium (to inc Grounds, Admin & Medical Refs)	65	<i>selected for review in 2012/13</i>
10	Resources	Corporate	Sickness Monitoring	63	<i>postponed - corporate improvement review 2012/13</i>
11	Resources	Property & Facilities Mgmt	Industrial Estates - lettings	61	<i>reviewed 2011/12</i>
12	Governance	Democratic Services	Electoral Registration & Administration	61	<i>selected for review in 2012/13</i>
13	Community Engagement	Community, Housing & Health	Supporting People (grant income, Hostels, Homeshares & Mgmt of Resource Centre)	59	<i>selected for review in 2012/13</i>
14	Community Engagement	Museums and Gallery	Tullie House	58	<i>selected for review in 2012/13 (formal follow up)</i>



15	Community Engagement	Community, Housing & Health	Wellbeing – Community Development	<b>58</b>	<i>to be included in the scopes for Sports Development (ref 23) and Children &amp; Young People (ref 21)</i>
16	Economic Development	Planning	Local land and Conservation	<b>55</b>	<i>Service changes - postponed until 2013/14</i>
17	Resources	Financial Service	Procurement	<b>54</b>	<i>selected for review in 2012/13</i>
18	Local Environment	Street Scene	Highways	<b>53</b>	<i>to be included within scope of Highways Contracts &amp; Claims Rights(ref 3)</i>
19	Community Engagement	Revenues & Benefits	HB Overpayments	<b>52</b>	<i>selected for review in 2012/13 (formal follow up)</i>
20	Resources	Property & Facilities Mgmt	Facilities Management / Building Maintenance	<b>51</b>	<i>reviewed 2011/12</i>
21	Local Environment	Highways	CCTV	<b>51</b>	<i>selected for review in 2012/13</i>
22	Resources	Corporate	Improvement & Efficiency Programme	<b>50</b>	<i>selected for review in 2012/13</i>
23	Community Engagement	Sports & Leisure	Wellbeing - Sports Development	<b>49</b>	<i>selected for review in 2012/13</i>
24	Economic Development	Planning	Development Control	<b>49</b>	<i>selected for review in 2012/13</i>
25	Governance / Resources	Legal / Financial Services	Tendering / Contracting	<b>47</b>	<i>selected for review in 2012/13 (formal follow up)</i>
26	Resources	Property & Facilities Mgmt	Corporate Properties - lettings	<b>44</b>	
27	Economic Development	Business & Employment	Business & Employment Development	<b>44</b>	<i>Function downsized. Processes / focus changed. Review in 2013/14</i>
28	Community Engagement	Community, Housing & Health	Events	<b>43</b>	<i>Function downsized. Processes / focus changed. Review in 2013/14</i>
29	Local Environment	Highways	Public / Street Lighting	<b>42</b>	
30	Resources	Corporate	Partnerships	<b>42</b>	<i>Reviewed 2010/11 and 2011/12</i>
31	Community Engagement	Community, Housing & Health	Well Being - Children & Young People (inc summer play schemes)	<b>41</b>	
32	Governance	Governance	Health & Safety	<b>41</b>	
33	Resources	Resource Planning	Garage - Transport and Plant (Repairs & Renewals)	<b>41</b>	
34	Community Engagement	Carlisle Partnership	Community Safety & Anti Social Behaviour - CDRP	<b>40</b>	

35	Policy & Performance	Policy	Organisational Development and Corporate Training (inc JE Career Development Package)	40	
36	Local Environment	Waste Services	Special Collections/ bulky waste	39	
37	Chief Executive's Office	Policy	Information Management (FOI/DP/Records management)	39	<i>Include within scope of Data Quality</i>
38	Resources	Financial Service	VAT	39	
39	Chief Executive's Office	Corporate	Business Continuity Planning	39	
40	Chief Executive's Office	Policy	Equality and Diversity	38	
41	Governance	Governance	Land Charges	38	

Low Risks:

42	Local Environment	Environmental Services	Food Safety	37	
43	Community Engagement	Community, Housing & Health	Affordable Housing	36	
44	Resources	Corporate	ICT Shared Service / Service Level Management	35	-
45	Local Environment	Green Spaces	Grounds & Arboriculture	35	
46	Economic Development	Planning	Building Control	34	
47	Resources	Financial Service	External Funding / Grant Monitoring	33	<i>Include within scope of main Grants review</i>
48	Local Environment / Resources	Financial Services	Insurance (inc highways insurance claims)	33	
49	Resources	Financial Service	Recharges	33	
50	Community Engagement	Community, Housing & Health	Riverside / Carlisle Partnership Agreement	33	
51	Governance	Democratic Services	Committee Reporting Arrangements	32	
52	Resources	Property & Facilities Mgmt	Civic Centre	32	

53	Corporate		Systems Administration	31	<i>selected for review 2012/13</i>
54	Economic Development	Tourism	Tourism	30	-
55	Chief Executive's Office	Policy	Emergency Planning	30	
56	Resources	Corporate	Telephones / Mobiles	30	
57	Resources	Corporate	Use of Casuals / Interim / Agency Workers	30	
58	Resources	Service Support	PAYE & NI	29	
59	Community Engagement	Carlisle Partnership	Health Promotion & Partnerships	29	
60	Resources	Corporate	Corporate Printing	29	
61	Chief Executive's Office	Policy	Communications	28	
62	Resources	Financial Service	Capital Programme (inc Mgmt of Corporate Projects)	28	
63	Resources	Resource Planning	Stores	27	
64	Governance	Corporate	Risk Management Arrangements	27	
65	Community Engagement	Sports & Leisure	Leisure Time/Carlisle Leisure (client)	27	<i>selected for review 2012/13</i>
66	Resources	Personnel	Early Retirement & Redundancy	26	<i>Selected for review 2012/13</i>
67	Governance	Corporate	Compliance to Codes of Conduct	26	
68	Community Engagement	Revenues	Revenues Recovery	26	
69	Resources	Service Support	Flexitime	25	
70	Local Environment	Highways	Car Parking	25	
71	Community Engagement	Community, Housing & Health	Housing Regeneration (Improvement grants)	23	
72	Governance	Governance	Gifts and Hospitality	23	<i>selected for review 2012/13</i>

73	Resources	Property & Facilities Mgmt	Building Resources / Cleaning	<b>22</b>	
74	Local Environment	Environmental Services	Dog Policy	<b>22</b>	-
75	Resources	Corporate	Web Site Developments	<b>21</b>	
76	Resources	Human Resources	Recruitment & Retention	<b>21</b>	
77	Economic Development	Tourism	Tourist Information Centres (Carlisle & Brampton)	<b>21</b>	
78	Governance	Governance	Licensing	<b>19</b>	
79	Resources	Financial Service	Corporate Charge Card	<b>19</b>	
80	Resources	Service Support	Travel and Subsistence	<b>18</b>	
81	Resources	Property & Facilities Mgmt	Lanes	<b>18</b>	
82	Economic Development	Planning	Local Plans	<b>18</b>	
83	Local Environment	Green Spaces	Talkin Tarn & Boathouse Tea Room	<b>17</b>	
84	Governance	Democratic Services	Payments to Members	<b>16</b>	
85	Local Environment	Highways	Park Patrols and Play Areas	<b>16</b>	
86	Resources	Human Resources	Human Resources / Workforce Strategy	<b>15</b>	
87	Resources	Service Support	Salary Sacrifice Schemes	<b>14</b>	
88	Resources	Property & Facilities Mgmt	Building Security (inc Keepers)	<b>14</b>	
89	Resources	Property & Facilities Mgmt	Market	<b>14</b>	<i>selected for review 2012/13</i>
90	Chief Executive's Office	Organisational Development	Member Learning & Development	<b>14</b>	
91	Resources	Financial Service	Grants to Parish Councils	<b>14</b>	
92	Community Engagement	Carlisle Partnership	Local Strategic Partnership / Carlisle Partnership	<b>13</b>	

93	Resources	Property & Facilities Mgmt	Land Lettings	13	
94	Local Environment	Environmental Services	Pest Control	13	
95	Local Environment	Highways	Land Drainage	12	
96	Governance	Governance	Town Twinning/Youth Exchange	12	
97	Local Environment	Green Spaces	Allotments	11	
98	Community Engagement	Community, Housing & Health	Advice Agencies (inc Benefits Advice, Law Centre, CAB)	11	
99	Economic Development	Business & Employment	Enterprise Centre	11	
100	Community Engagement	Carlisle Partnership	Abandoned Vehicles	10	
101	Governance	Democratic Services	Mayor & Civic Administration	10	
102	Resources	Corporate	CRB Compliance	9	
103	Resources	Property & Facilities Mgmt	Public Conveniences	9	
104	Economic Development	Planning	Shopmobility	8	

#### **PART B - ICT STRATEGIC AUDIT PLAN 2012/13**

Ref	Directorate	Audit Area	Risk Score	Comments
105	Resources	Service Continuity	69	<i>selected for review in 2012/13</i>
106	Resources	Project Management	58	<i>selected for review in 2012/13</i>
107	Resources	Post Implementation Review	57	
108	Resources	Network Controls	47	<i>completed 2011/12</i>
109	Resources	IT Strategy	46	<i>completed 2011/12</i>

110	Resources	Physical and Environmental Management	<b>41</b>	
111	Resources	Change Management	<b>35</b>	
112	Resources	System Security	<b>27</b>	
113	Resources	Data Management	<b>24</b>	
114	Resources	Acquire, implement and maintain application software	<b>23</b>	
115	Resources	Operations Management	<b>21</b>	
116	Resources	Performance & Capacity Management	<b>21</b>	
117	Resources	Application Controls	<b>18</b>	
118	Resources	E-Government	<b>17</b>	
119	Resources	Internet Mgmt & Controls	<b>17</b>	
120	Resources	File Controls	<b>17</b>	
121	Resources	PC Controls	<b>17</b>	
122	Resources	IT Management and Financial Controls	<b>16</b>	
123	Resources	Infrastructure	<b>16</b>	
124	Resources	Configuration Management	<b>16</b>	
125	Resources	Service Desk, Incident and Problem Management	<b>16</b>	<i>selected for review in 2012/13</i>
126	Resources	Procurement of IT Resources	<b>16</b>	



**CARLISLE CITY COUNCIL**  
**DRAFT AUDIT PLAN 2012/13**

<b>Directorate</b>	<b>Section</b>	<b>Audit Days Allocated</b>	<b>Audit Area</b>
Chief Executive's Office	Policy & Performance	12	Data Quality & Records Management
Community Engagement	Customer Services	12	Customer Contact Centre / Customer Services
Community Engagement	Community, Housing & Health	10	Well Being - Sports Development
Community Engagement	Community, Housing & Health	10	Well Being - Children and Young People
Community Engagement	Community, Housing & Health	15	Supporting People - Hostels, Homeshares
Community Engagement	Museums and Gallery	5	*Tullie House
Community Engagement	Community, Housing & Health	10	*HB Overpayments
Community Engagement	Community, Housing & Health	10	Leisure Time Client
Economic Development	Planning	15	Development Control
Governance	Democratic Services	10	Electoral Registration & Administration
Governance	Governance	5	Gifts & Hospitality
Local Environment	Waste Services	10	Recycling
Local Environment	Highways	15	Highways - Contract & Claimed Rights
Local Environment	Waste Services	10	Refuse Collection
Local Environment	Highways	10	Street Cleaning
Local Environment	Bereavement Services	12	Cemeteries & Crematorium
Local Environment	Highways	10	CCTV
Resources	Property & Facilities Mgmt	15	Asset Management
Resources	Corporate	10	Grants Protocol / Procedures
Resources	Financial Service	15	Procurement
Resources	Corporate	15	Transformation



Resources	Corporate	10	*Tendering & Contracting
Resources	Corporate	10	Early Retirement & Redundancy
Resources	Corporate	10	Systems Administration
Resources	Corporate	5	Market Rents
		<b>271</b>	
MAIN FINANCIAL SYSTEM REVIEWS		12	Council Tax
		16	Housing and Council Tax Benefits
		12	National Non Domestic Rates (NNDR)
		14	Main Accounting System
		8	Fixed Assets
		10	Creditors
		10	Debtors
		10	Car Parking Income
		12	Payroll
		10	Treasury Management
		8	Improvement Grants
		12	Income Management
		10	Contingency
		<b>144</b>	
ICT		30	Service Continuity, Project Management and Service Desk, Incident Problem Management
AUDIT MANAGEMENT, PLANNING & COMMITTEE REPORTING		45	
COUNTER FRAUD		10	
FOLLOW UPS		10	
CONTINGENCY		30	
		<b>540</b>	

\* Formal Follow Ups on 2011/12 audit reviews

