

BABERGH DISTRICT COUNCIL

FROM: Head of Finance

REPORT NUMBER: G223

**TO: OVERVIEW AND SCRUTINY
(STEWARDSHIP) COMMITTEE**

DATE OF MEETING: 18 March 2008

INTERNAL AUDIT WORK PROGRAMME 2008/09

1. PURPOSE OF REPORT

1.1 This report details the Internal Audit Work Programme for the next financial year.

2. RECOMMENDATION

2.1 That the 2008/09 Internal Audit Work Programme (Appendix A) be approved.

The Committee is able to resolve the matter.

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications, as the programme will be funded from within approved budgets. Savings on current staffing/resource levels may be achieved.

4. RISK MANAGEMENT

4.1 The audit programme is based on priority ratings of risk and importance, which ensures that only the highest risk areas are examined.

4.2 This report is most closely linked with the Council's Significant Business Risk No. 7 – Financial, Performance & Risk Management: The key risks associated with internal audit work and its effectiveness are summarised below.

| Risk Description | Likelihood | Seriousness or Impact | Mitigation Measures |
|---|-------------------|------------------------------|---|
| Internal control weaknesses and potential for fraud exists. | Low | Critical | Work programme that focuses on key areas, including fundamental systems. |
| Inefficient processes or systems in place. | Low / Significant | Marginal / Critical | Audit work considers efficiency issues and appropriate recommendations are made. There are a number of efficiency-based projects being undertaken by the Council. |

5. **KEY INFORMATION**

- 5.1 The accounts and audit regulations require local authorities to maintain sound systems of internal control and an adequate and effective system of internal audit, regularly reviewing its effectiveness. This is also looked at as part of the Audit Commission's annual Use of Resources Assessment.
- 5.2 The internal audit function is a key element of the Council's corporate governance framework. A comprehensive programme of reviewing systems is required to ensure that there is assurance that services are operating effectively, efficiently and economically and in accordance with legislative requirements and professional standards.
- 5.3 This review is embodied in the annual Statement of Internal Control/Corporate Governance Statement, which is scrutinised and approved by this Committee. The statement looking back at 2007/08 will be brought to the Committee in June.
- 5.4 The 2008/09 proposed internal audit work programme (excluding benefit fraud investigations and management) is summarised in Appendix A and focuses on the areas that are seen as being most important to the Council. Management Team, Heads of Service and Managers are consulted on its content. The work programme has been drawn up with due regard to the key risks facing the Council. The key areas are:

Fundamental Financial Systems – This is the most significant area of work and includes: audit of each key financial system, review of system documentation and procedure notes to ensure that they are comprehensive, up-to-date and are reviewed on a regular basis. This is a core requirement of the External Auditors.

Governance – audits which contribute to the development of the Council's Corporate Governance Framework and feed into the Annual Governance Statement. Additional time has been allocated to the Annual Governance Statement, (which replaces the Statement on Internal Control) and the Use of Resources Assessment, in recognition of the increased work required to meet the more demanding requirements. The time allocated to risk management has significantly decreased, as Corporate Services will take on the responsibility from 2008.

Fraud Prevention and Investigation – Proactive fraud and corruption work is determined by an annual Council-wide fraud risk assessment exercise, which identifies the fraud risks of each specific service and profiles them according to likelihood and impact. Reviewing and raising awareness of the Anti-Fraud and Corruption Policy and Whistleblowing Procedure is also included.

Partnerships, Contracts and Procurement – The Council relies on contractors and works with partners to provide several key services. Audit work in this area will ensure that there are processes in place to monitor contractor's and partnerships performance and risks. Governance arrangements, including financial monitoring arrangements in respect of partnerships will also be reviewed.

A review of progress on developing and implementing the Council's Strategic Procurement Framework and all elements of E-procurement is included in the work programme.

Other – Internal Audit are regularly called upon to provide help and advice on all aspects of the Council's services and operations, including special investigations.

- 5.5 The proposed work programme does not include any computer audit work. The Council has had a long-standing arrangement, with Ipswich Borough Council, to purchase 40 days computer audit work per annum. As the Computer Auditor is to retire early in the new financial year it has been decided to take this opportunity to review the Council's computer audit needs and alternative providers.
- 5.6 The audit work programme is based on 493 days. Current internal audit staff resources currently amount to 238. A joint recruitment exercise with Suffolk County Council is in progress and will provide a further 190 days and contract auditors will be used to provide the remaining 65 days. All costs will be met from existing budgets and savings may be achievable on computer audit or other aspects through increased joint working.
- 5.7 The Annual Internal Audit Report 2007/08 which sets out progress against the current year's work programme will be brought to this Committee in June.

6. **APPENDIX**

Appendix A - Internal Audit Work Programme 2008/09

7. **BACKGROUND PAPERS REFERRED TO**

None

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| | 2007/08 Approved Days | 2008/09 Proposed Days |
|--|-----------------------------|-----------------------------|
| Available Days | | |
| Babergh Staff | 527.0 | 238.0 |
| Less Maternity Leave | -100.0 | |
| Suffolk County Council Staff | | 190.0 |
| Other / Agency Staff | 23.0 | 65.0 |
| Audit Programme Days | 450.0 | 493.0 |
| | | |
| Contingency | 36.5 | 35.0 |
| | | |
| Remaining Audit Programme Days | 413.5 | 458.0 |
| | | |
| Priority 1 Assignments | | |
| | | |
| Work-in-Progress | 15.0 | 15.0 |
| | | |
| Fundamental Systems Audit & Walkthrough | | |
| Asset Register | 5.5 | 8.0 |
| Benefit Assessment | 16.0 | 16.0 |
| Benefit Fraud (no walkthrough) | 0.0 | 0.0 |
| Benefit Overpayment | 5.5 | 21.0 |
| Cash & Bank | 0.0 | 9.0 |
| Creditor Payments | 5.5 | 11.0 |
| Debtors | 21.0 | 10.0 |
| General Ledger | 5.5 | 21.0 |
| Housing Repairs | 5.5 | 21.0 |
| Information Technology | 0.0 | 8.0 |
| Local Taxation | 21.0 | 10.0 |
| Payroll | 21.0 | 8.0 |
| Rents | 21.0 | 8.0 |
| Treasury Management | 5.5 | 21.0 |
| Process Mapping Reviews | 18.0 | Inc'd above |
| Total | 151.0 | 172.0 |
| | | |
| Governance | | |
| Annual Governance Statement | 15.0 | 20.0 |
| Reports to Members | 10.0 | 10.0 |
| Risk Management | 22.0 | 10.0 |
| Use of Resources Assessment | 10.0 | 15.0 |
| Total | 57.0 | 55.0 |
| | | |
| Fraud Prevention & Investigation | | |
| Anti-Fraud & Corruption | 4.0 | 4.0 |
| NFI - Co-ordination & Investigation | 1.0 | 5.0 |
| Assistance with Interviews Under Caution | 2.0 | 2.0 |
| Total | 7.0 | 11.0 |
| | | |
| Other | | |
| Advice | 0.0 | 10.0 |
| External Audit Liaison | 4.5 | 5.0 |
| Total | 4.5 | 15.0 |
| | | |
| Total Priority 1 Work | 234.5 | 268.0 |
| | | |
| Remaining Audit Programme Days | 179.0 | 190.0 |

| | 2007/08 Approved Days | 2008/09 Proposed Days |
|--|-----------------------------|-----------------------------|
| Priority 2 Assignments | | |
| Governance | | |
| Data Quality | 12.0 | 11.0 |
| Risk Based Reviews (Excluding Anti-Fraud Work) | 50.0 | 33.0 |
| Total | 62.0 | 44.0 |
| Fraud Prevention & Investigation | | |
| Risk Based Anti-Fraud Work | 17.0 | 10.0 |
| Total | 17.0 | 10.0 |
| Contract And Procurement | | |
| Contract Audit Reviews | 15.0 | 15.0 |
| E-procurement System | 0.0 | 19.0 |
| Partnerships | 10.0 | 22.0 |
| Purchasing Cards | 0.0 | 3.0 |
| Strategic Procurement Framework | 0.0 | 10.0 |
| Total | 25.0 | 69.0 |
| Other | | |
| Capital | 0.0 | 15.0 |
| CAST | 15.0 | 10.0 |
| Follow-up | 18.0 | 15.0 |
| Job Evaluation Panel | 5.0 | 5.0 |
| Local Area Agreements | 0.0 | 5.0 |
| Total | 38.0 | 50.0 |
| Total Priority 2 Work | 142.0 | 173.0 |
| Remaining Audit Programme Days | 37.0 | 17.0 |
| Priority 3 Assignments | | |
| Fraud Prevention & Investigation | | |
| Money Laundering | 1.0 | 1.0 |
| Total | 1.0 | 1.0 |
| Contract And Procurement | | |
| Contract Final Accounts | 9.0 | 4.0 |
| Financial Vetting | 5.0 | 5.0 |
| Total | 14.0 | 9.0 |
| Other | | |
| Business Development Loans | 2.0 | 2.0 |
| Cheque Control | 12.0 | 0.0 |
| Leisure Grants | 3.0 | 3.0 |
| Review Computer Audit Work | 5.0 | 2.0 |
| Total | 22.0 | 7.0 |
| Remaining Audit Programme Days | 0.0 | 0.0 |

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