



**Report to: Audit Sub-Committee**

**Subject: The Draft Annual Audit Plan 2006-07 to the Head of Finance**

**Date: March 2006**

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## **1. PURPOSE OF REPORT**

To report on the planned audit activity for 2006/07.

Having taken account of any comments made by this committee the final report will be passed to the Head of Finance for approval in line with Financial Regulation 3.27.

## **2. BACKGROUND**

- 2.1 Previously the Council has received a report which combined the forward plan of activity with an out-turn and assurance report, known as the Annual Audit Report. However, now that Annual Audit Risk Assessments create the plan for the next year, rather than a three-year plan within the Audit Strategy, there is a need to report on planned audit activity prior to the start of the financial year. The Annual Audit Report including the Audit Assurance Statement will be reported later. This report relates solely to the planned audit work for 2006-07.
- 2.2 In December 2005 the Audit sub-committee considered the areas that could be influenced within the Annual Audit Risk Assessment Model and were requested to highlight any additional areas that were not already included. No additions were notified.

## **3. PLANNED AUDIT ACTIVITY FOR 2006/07**

### **3.1 AUDIT REPORTS**

The performance target remains at 26 reports for the year 2006/07. This makes an allowance for audits where there are no recommendations to be made or where the result of the audit is inform senior management rather than make specific recommendations.

### 3.2 AUDIT ACTIVITY ARISING FROM THE USE OF RISK ASSESSMENT METHODOLOGY

3.2.1 The annual audit plan for 2006/07 has been created using an audit risk analysis model.

3.2.2 The model takes account of factors such as the size of the system, how well it is currently controlled and the effectiveness of previous audits and other review agencies.

3.2.3 The chart below demonstrates how the Audit Risk Assessment Model evaluates each system to provide a weighted score. The weighted scores for all systems are then prioritised against the audit resources available.

The worked example given is for the Leisure Income system.

<b>Internal Audit Risk Assessment Model</b>						
		Score 1-5	Weighting	Total	max	Weighted Score
<b>SIZE</b>						
A	Value of budget	3	2	6		
B	No. of Employees	4	1	4		
C	Impact per risk matrix	2	3	6		
D	Volume of transactions	5	1	5		
	<b>Total size score</b>			<b>21</b>	<b>35</b>	<b>0.6</b>
<b>CONTROL</b>						
F	Impact – mgt & staff	4	2	8		
G	Third Party sensitivity	2	1	2		
H	Std of internal Control	4	3	12		
J	Likelihood per risk matrix	3	3	9		
	<b>Total Control Score</b>			<b>31</b>	<b>45</b>	<b>0.6889</b>
<b>DETECTION</b>						
K	Effectiveness of audit	3	1	3		
L	Duration of audit	3	2	6		
M	Time since last review	3	2	6		
N	Other review agencies	3	2	6		
	<b>Total Detection Score</b>			<b>21</b>	<b>35</b>	<b>0.6</b>
Multiply each sections weighted total by each other and then by 200						
<b>Weighted Final Score</b>						<b>50</b>

- 3.2.4 The model shown is applied to each of the systems identified for audit in 2006/07. The weighted scores are then prioritised and an assessment of whether the system requires the same number of audits days is undertaken.
- 3.2.5 **Appendix A** summarises the resources available and planned activity in 2006/07. This currently does not make any allowance for the vacancies that currently exist. Additional audit days may be purchased from the County if required.
- 3.2.6 **Appendix B** summarises the results from the audit risk assessment model for 2006/07 planned activity. Additional time has been allocated for the completion of audits from the 2005/06 audit plan and for the new systems due to become live in during the year.

#### **4 RECOMMENDATIONS**

Members are asked to note the contents of this draft report, which will be passed to the Head of Finance for approval.

INTERNAL AUDIT RESOURCES

AVAILABLE AND PLANNED ACTIVITY IN 2006-07

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	<u>PLANNED DAYS</u>
<b>DAYS AVAILABLE</b>	799
LESS:	
Bank Holidays and Annual Leave	100
Sickness	14
Training	59
Vacancies	0
Meetings/Admin	54
Management	32
	<u>(259)</u>
<b>AUDIT DAYS AVAILABLE</b>	<b><u>540</u></b>
<b>PLANNED ACTIVITY</b>	
Key Financial Systems	215
Other Financial Systems	50
Departmental Audits	115
Specialist Audits	160
	<u>540</u>
<b>Total Planned Activity</b>	<b><u>540</u></b>

**AUDIT RISK ASSESSMENT RESULTS**  
**FOR THE 2006-07 PLAN**

AUDIT AREA	SCORE	PRIORITY	DAYS
Housing Benefits	70	1	30
Leisure Income	57	3	15
Housing Repairs	53	3	15
Housing Rents	46	3	15
NNDR	40	3	15
Council Tax	39	3	15
Cash Receipting	38	4	10
Capital	36	4	10
FMS	30	4	10
Payroll	27	4	10
Bank Accounts	27	4	5
Officers Disbursements	26	4	10
Insurance & Inventory	26	4	10
Creditors	24	4	10
Lending & Borrowing	23	4	5
Debtors	23	4	10
Direct Services	67	2	20
Housing	63	2	15
Personnel & Organisational Dev	61	2	30
Leisure	50	3	15
Planning & Environment	49	3	10
Legal & Democratic Services	41	3	10
Finance	40	3	10
Cabinet Office	23	4	5
HB Performance Standards	50	3	20
Licensing	41	3	15
Cash-ups Leisure	30	4	3
Performance Indicators	26	4	10
Supporting People	19	5	0
Cash-ups Finance	17	5	2
Leasing	13	5	0
VAT	12	5	0
Computer Audit	59	3	30
Contract	44	3	15
Contingency	39	4	45
Data Protection	29	4	5
Contract	25	4	15
Risk Mgt/ Corporate Governance	10	5	5
Anticipated carry forward audits			20
Anticipated finishing time			15
Anticipated time for 3 new systems			30
<b>TOTAL</b>			<b>540</b>