



Report to: Audit Sub-Committee

Subject: The Draft Annual Audit Plan 2009-10

Date: 17th March 2009

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1. PURPOSE OF REPORT

To report on the planned audit activity for 2009-10.

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 forthcoming financial 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 to the Audit Sub Committee in June 2009. This report relates solely to the planned audit work for 2009-10.
- 2.2 In December 2008 the Audit Sub-Committee considered the risk criteria within the Annual Audit Risk Assessment Model and were requested to highlight any additional areas that were not already included. No additions were identified.

3. PLANNED AUDIT ACTIVITY FOR 2009-10

3.1 AUDIT REPORTS

The performance target remains at 24 issued audit reports for the 2009-10 financial year.

3.2 AUDIT ACTIVITY ARISING FROM THE USE OF RISK ASSESSMENT METHODOLOGY

3.2.1 The annual audit plan for 2009-10 has been created using an audit risk analysis model.

3.2.2 The model takes account of factors such as the size and complexity of the system, how well it is currently controlled and the level of assurance provided in previous audits and other assurance bodies.

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.

Internal Audit Risk Assessment Model						
		Score 1-5	Weighting	Total	max	Weighted Score
SIZE						
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		
	Total size score			21	35	0.6
CONTROL						
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		
	Total Control Score			31	45	0.6889
DETECTION						
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		
	Total Detection Score			21	35	0.6
Multiply each sections weighted total by each other and then by 200						
Weighted Final Score						50

- 3.2.4 The model shown is applied to each of the risk areas identified for audit in 2009-10. The weighted scores are then prioritised and an assessment of the number of audit days to be assigned to each review is undertaken.
- 3.2.5 **Appendix A** summarises the resources available and planned activity for 2009-10.
- 3.2.6 **Appendix B** summarises the results from the audit risk assessment model for 2009-10 planned activity. Additional time has been allocated for the completion of outstanding audits from the 2008-09 audit plan.

4 RECOMMENDATIONS

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

APPENDIX A

INTERNAL AUDIT RESOURCES

AVAILABLE AND PLANNED ACTIVITY IN 2009-10

	<u>PLANNED DAYS</u>
DAYS AVAILABLE	680
LESS:	
Bank Holidays and Annual Leave	95
Sickness	15
Training	40
Vacancies	0
Meetings/Admin	36
Management	24
	(210)
AUDIT DAYS AVAILABLE	470
PLANNED ACTIVITY	
Key Financial Systems	175
Other Financial Systems	30
Departmental Audits	75
Specialist Audits	150
Follow-up Activity	40
Total Planned Activity	470

AUDIT RISK ASSESSMENT RESULTS
FOR THE 2009-10 ANNUAL PLAN

AUDIT AREA	SCORE	PRIORITY	DAYS
Housing Benefits	61	2	30
Leisure Income	57	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	15
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	61	2	15
Direct Services	61	2	20
Customer Services	50	3	10
Leisure Services	50	3	10
Planning & Environment	49	3	10
Democratic & Community Services	41	3	10
Corporate Services	40	3	10
Strategy & Performance	23	4	5
Licensing	26	4	0
Performance Indicators	41	3	10
Cash-ups Leisure	30	4	3
Cash-ups Finance	17	5	2
Leasing	13	5	0
VAT	12	5	0
Computer Audit	59	3	25
Contract (audit review)	44	3	10
Contract (final check)	17	5	5
Data Protection	50	3	20
Health & Safety	59	3	25
Car Park Charging	69	2	25
Contingency	36	4	25
Risk Mgt / Corporate Governance	10	5	20
Follow-up Reviews			40
Anticipated finishing time (c/f 08-09)			10
TOTAL			470