

**TAUNTON DEANE BOROUGH COUNCIL**

**CORPORATE GOVERNANCE COMMITTEE 21st FEBRUARY 2005**

**INTERNAL AUDIT PLAN 2005/06 – 2008/09**

**REPORT OF THE INTERNAL AUDIT MANAGER (this matter is the responsibility of Councillor Williams, the Leader of the Council)**

**EXECUTIVE SUMMARY**

This Committee are requested to approve the Internal Audit Plan covering the period 2005/06 – 2008/09 (4 years). The plan has been developed to ensure that that audit resources can be utilised more effectively covering a broader range of Council services (both financial and non-financial).

**1. Purpose of Report**

- 1.1 To agree the Strategic Internal Audit Plan for the period 2005/06 to 2008/09.

**2. Background**

- 2.1 Internal Audit at Taunton Deane Borough Council operates in accordance with the auditing guidelines published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

- 2.2 The 2003 CIPFA guidelines refer to the need for a high level strategy that outlines how the Internal Audit service will be delivered and developed, and for there to be a risk based audit plan that sets out how the strategy is to implemented.

- 2.3 The Strategic Audit Plan sets out the scope, conduct and timing of internal audit work for the four-year period from 2005/06 to 2008/09. The Strategic Audit Plan is reviewed each year so that it can be amended to reflect changing priorities and meet the emerging needs of the Council.

**3. Purpose of the Strategic Audit Plan and range of work undertaken**

- 3.1 The purpose of the Strategic Audit Plan is to:
- identify all the areas of Council activity that require auditing over the four year period;
  - set out the relative allocation of resources between the work to obtain assurance on the functioning of the internal control systems

- 3.2 The Strategic Audit Plan has been drawn up to reflect the wide range of work undertaken by the Internal Audit Section, including:
- Audit of the Council's main financial systems on an annual basis;
  - Examination of the main departmental systems at least once within the three year cycle;
  - Provision of advice on corporate management activities such as Risk Management, Information Management, Corporate Governance and to scrutinise their development within the Council;
  - Undertaking a programme of specialist contract, computer audits and Value for Money Studies;
  - Completing special investigations to meet management requirements;
  - Provision of day to day advice to managers on financial and control issues;

#### **4. Preparation of the Strategic Plan**

- 4.1 Review of Key Council Activities** - The first stage in the strategic planning process is the review of the areas of Council activity that require auditing. The review of Council activities includes the examination of previous Strategic Audit Plans, the budget book, the Corporate Strategy and annual Performance Plan, various Council Strategies and Service Plans, Audit Commission management letters, Executive and Review Board reports and known developments.
- 4.2 Application of Risk Management** - The second stage in the planning process is to examine the areas identified above in order to assess the risks in each area of activity. A risk model has been devised which assesses each activity against the following categories: complexity of service/process; level of error; reliance on staff; financial materiality; the adequacy of internal control at last review; date last audited and inherent risk if service/process fails. Each category is scored, the greater risks receiving the higher scores and the total score for each activity determines the frequency of audit coverage. Audits are assigned to one of four frequency bandings: Very High (audited every year), High (every other year), Medium (no more than once every three years) and low (no more than once every four years). Some other areas of Council activity are scheduled for review every year, although they are not subject to the same risk assessment process. Examples of these areas include the provision of corporate advice and guidance, ongoing activities such as the support to the Corporate Governance Committee; follow up work and liaison with our External Auditors.

**4.3 Review of Staff Resources** - The final stage in the planning process is the review of available staff resources. The Strategic Audit Plan assumes full staffing of the Internal Audit team will be maintained for the three-year period of the plan. Staffing is assessed at the level necessary to ensure audit coverage of the key areas within the three-year cycle.

5. Summary of Resource Allocation for the Audit Plan

5.1 The table below summaries the resources allocated to the main audit areas in the four years 2005/06 to 2008/09. The Available Audit Days figure is the actual time available to perform audit work after making provision for administration, training, leave and sickness.

<b>Year</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
<b>Resources</b>	<b>Days</b>	<b>Days</b>	<b>Days</b>	<b>Days</b>
Total days available	910	910	910	910
Staff overheads	241	241	241	241
<b>Available Audit Days</b>	<b>669</b>	<b>669</b>	<b>669</b>	<b>669</b>
<b>Audit Area</b>				
Main Financial Systems	180	175	175	175
Computer Audit	80	70	80	60
Contract Audit	35	40	35	40
Other Areas of Work	130	130	130	130
Fraud & Corruption Work	55	50	50	65
Departmental Systems	190	205	200	185
<b>Total</b>	<b>670</b>	<b>670</b>	<b>670</b>	<b>670</b>

5.2 Main Financial Systems –The Audit Commission places reliance on Internal Audit coverage of a programme of audits of key financial systems, and requires assurance that adequate testing of the systems has been undertaken.

The Computer Audit coverage includes resource provision for the Implementation of New Systems. This is to enable Internal Audit to comment on the procedures and controls associated with new systems, to provide input to the project teams or to comment on system specifications.

The proposed individual audits within the Strategic Audit Plan for the years 2005/2006 to 2008/2009 are detailed at Appendix 1. The Annual Audit Plan for 2005/2006 is the first column of the table in Appendix 1.

## **6. Recommendation**

6.1 To agree the four-year Strategic Audit Plan 2005/06 – 2008/09.

### **Background Papers**

There are no background papers.

#### **Contact Officers:**

Shirlene Adam  
Head of Resources  
01823 356310  
[s.adam@tauntondeane.gov.uk](mailto:s.adam@tauntondeane.gov.uk)

Chris Gunn  
Audit Manager  
01823 356417  
[c.gunn@tauntondeane.gov.uk](mailto:c.gunn@tauntondeane.gov.uk)

## Appendix 1

Audit Description	2005/06 Days	2006/07 Days	2007/08 Days	2008/09 Days	Frequency Years
<b>Main Financial Systems</b>					
Payroll	15	15	15	15	1
Debtors	15	15	15	15	1
Creditors	15	15	15	15	1
Council Tax	15	15	15	15	1
National NonDomestic Rates	15	15	15	15	1
Housing Rents	15	15	15	15	1
Housing Benefits	30	30	30	30	1
Main Accounting	15	15	15	15	1
Cash / Bank	15	10	10	10	1
Treasury Management	10	10	10	10	1
Capital Accounts	10	10	10	10	1
Bank Reconciliation	10	10	10	10	1
	<b>180</b>	<b>175</b>	<b>175</b>	<b>175</b>	
<b>Computer Audit</b>					
IS Development	10		10		2
IS Operations		10			3
BS7799	10		10		2
Network	10		10		2
Strategy		10		10	2
Internet / Intranet		10		10	2
Software Licensing	10		10		2
System Implementations	40	40	40	40	1
	<b>80</b>	<b>70</b>	<b>80</b>	<b>60</b>	
<b>Contract Audit</b>					
Tendering / Partnering Arrangements	5	10	5	10	2
Final Account Audit	10	10	10	10	1
Current Contract Review (On site)	20	20	20	20	1
	<b>35</b>	<b>40</b>	<b>35</b>	<b>40</b>	
<b>Other Areas of Work</b>					
Corporate Governance	20	20	20	20	1
Data Protection	25	25	25	25	1
Freedom of Information	10	10	10	10	1
Risk Management	20	20	20	20	1
VFM Audits	20	20	20	20	1
Liaison with External Audit	5	5	5	5	1
General Financial Advice	10	10	10	10	1
Follow-Up Audits	20	20	20	20	1
	<b>130</b>	<b>130</b>	<b>130</b>	<b>130</b>	

<b>Audit Description</b>	<b>2005/06 Days</b>	<b>2006/07 Days</b>	<b>2007/08 Days</b>	<b>2008/09 Days</b>	<b>Frequency Years</b>
<b>Fraud &amp; Corruption Work</b>					
Data Matching	10	10	10	10	1
HB Fraud Unit				10	3
Special Investigations	40	40	40	40	1
Register of Interests staff / members	5			5	3
	<b>55</b>	<b>50</b>	<b>50</b>	<b>65</b>	
<b>Departmental Systems – Head of Development</b>					
Tourism	15				4
Economic Development		15			4
Planning Policy			15		4
Planning Fees (Income)		5			4
Development Control				15	4
Building Control	15				4
Valuation & Estates (Commercial Rents)	5		5		2
Asset Management Plan		10			4
Emergency Planning (& Civil Contingencies Bill)			10		4
	<b>35</b>	<b>30</b>	<b>30</b>	<b>15</b>	
<b>Departmental Systems – Head of Policy &amp; Performance</b>					
Community Safety	10				4
Corporate Policy & Performance		10			4
Grants (& Partnership Funding)			10		4
Procurement		10		10	2
CCTV				10	4
Corporate Complaints	10			10	3
	<b>20</b>	<b>20</b>	<b>10</b>	<b>30</b>	
<b>Departmental Systems – Head of Environment &amp; Leisure</b>					
Crematorium & Cemeteries		10			3
Parks & Open Spaces		10			3
Leisure Services (Trust)	10		10		2
Refuse Collection	10		10		2
Recycling		10		10	2
Pest Control				10	4
Public Conveniences			10		4
Dog Wardens	10				4
Environmental Protection		10			4
Licensing				10	4
Food Safety		10			3
Health & Safety	10		10		2
Street Cleansing	10		10		2
Priory Depot Stores		10		10	2
Nursery			10		3
Community Services & Arts				10	4
	<b>50</b>	<b>60</b>	<b>60</b>	<b>50</b>	

<b>Audit Description</b>	<b>2005/06 Days</b>	<b>2006/07 Days</b>	<b>2007/08 Days</b>	<b>2008/09 Days</b>	<b>Frequency Years</b>
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**Departmental Systems – Head of Housing**

Improvement Grants (Renovation)		10		10	2
Deane Building Design Group	10				4
Home Improvement Agency	10		10		2
Homelessness		10		10	2
Housing Repairs	10	10	10	10	1
Housing Strategy			10		4
Estates Management	10				4
Housing Rent Arrears			10		3
Housing Elderly Services		10			4
Right to Buy (Council House Sales)		10			4
Service Charges			10		4
Rechargeables				10	4
	<b>40</b>	<b>50</b>	<b>50</b>	<b>40</b>	

**Departmental Systems – Head of Corporate Services**

Postal Remittances				5	4
Concessionary Bus Fares				5	4
Land Charges		10			3
Car Parks	15		15		2
Members Allowances / Hosp / Gifts	5		5		2
Car Loans		5		5	2
Central Telephones (including mobile phones)				10	4
Register of Electors				10	4
Personnel – Policy			10		4
Personnel – Recruitment and selection	10				4
Personnel – Training & Development				10	4
Council Mortgages		5			4
Leased Cars / Car Loans		5		5	2
Officers Allowances		5		5	2
Petty Cash Accounts		5			4
Insurances		10			4
VAT	10			10	3
Stock Certificates	5				4
Banking Services & Charges			5		4
Flexitime			5		4
Customer Services			10		4
	<b>45</b>	<b>45</b>	<b>50</b>	<b>65</b>	
<b>Total</b>	<b>670</b>	<b>670</b>	<b>670</b>	<b>670</b>	