

ITEM NO.

Report to: Audit Committee
Date: 13th March 2008
Report of: Gordon Fletcher, Audit Manager
Subject: Internal Audit Plan for 2008/2009
Ward: All.

1 Purpose of the Report

- 1.1. The purpose of the report is to seek approval from the members of a flexible approach to the use of Internal Audit resources in 2008/2009 and the sharing capacity to ensure that all Council's complete their audit plans and that the audit managers are able to provide assurance as to the effectiveness of the Council's systems of internal control.

2 Consultation

- 2.1. In preparing this report I have consulted with:
Senior Auditor
Head of Financial Management
Director of Finance and Corporate Resources.

3 Background

- 3.1 It was agreed that the Audit Manager would report to the Audit Committee the Internal Audit Plan for 2008/09. An explanation of how the plan was formulated would be given to enable members to discuss any possible issues.

4 Position Statement and Option Appraisal.

- 4.1 Following discussions with the Internal Audit Managers from all of the Durham Councils at a Chief Finance Officer Sub Group, and on guidance from the Audit Commission. It is proposed that because of work around LGR during this year a more flexible approach to audit work would be beneficial for all of the Councils and to the LGR process and that this was the best way to utilise internal audit resources.
- 4.2. It is therefore proposed that the audit plan for 2008/2009 for Easington should focus on
- key business critical and high risk systems,
 - governance arrangements,
 - partnerships arrangements,
 - safeguarding of assets.
- 4.3. This would create surplus capacity within each of the audit sections, assuming that current staffing levels are maintained, that could be targeted to support other Durham Councils and to carry out LGR specific audit work.
- 4.4. Appendix A shows a breakdown of the planned work for Easington during 2008/2009.

There will be a number of audits that are ongoing at the end of March 2008 and these have been included in the plan, some of these were business critical systems, and with agreement of the Audit Commission do not need to be examined again during 2008/2009.

- 4.5.1. Following the audit work in 2007/2008 for East Durham Homes (EDH) by the District of Easington's Internal Audit Service, it was agreed to complete a 3 year strategic plan for EDH, to ensure that all systems are examined, and that proper assurance can be given.

- 4.5.2. Following completion of this strategic plan it showed that District of Easington Internal Audit Service could not provide the number of days required each year without additional resource. As East Durham Homes were unable to provide this resource other alternatives were considered and it was decided by the EDH Board on 31st January 2008 to go out to tender for their Internal Audit Service.
- 4.5.3. As EDH are a significant partner of District of Easington it is essential that EDH Governance arrangements are examined and these days are included in the Annual Plan.

5. Implications

5.1 Legal Implications.

It is a requirement of law that the Council maintains an adequate and effective Internal Audit service.

5.2. Risk Management

Any corporate risk register has been considered when formulating the annual audit plan.

5.3. Local Government Review Implications

This report does have implications in respect of the Local Government Review, as it is a plan to ensure that Audit resources during 2008/2009 are fully effective, to ensure that the Council's services during this transitional period are properly managed.

5.4. There are no Financial, Policy, Communications or Corporate implications.

6. Conclusion

- 6.1 It is considered necessary to focus our attention on the transition to a new Council but at the same time ensure that the Council has an effective audit service for 2008/2009. To accommodate the extra resources that may be required for LGR during the year the annual audit plan has not included any 2 year and 3 year audits. This will be reviewed after 6 months.

7. Recommendation

- 7.1 Members are asked to comment on the information contained within the report, and to approve the Internal Audit Annual Plan.

8. Background Papers/Documents Referred to in Preparing this Report

- 8.1. Internal Audit Strategic Plan
Internal Audit Annual Plans
Internal Audit files.
LGR workstream papers for Audit

APPENDIX A

ANNUAL AUDIT PLAN 2008/2009

Business Critical Systems:
Council Tax (commenced march 2008)
Creditors (inc vat)
Benefits
Main Accounting/Budgets (commenced march 2008)
NNDR
Salaries and Wages
Debtors (commenced march 2008)
Capital Accounting
Cash/Banking
Loans and Investments
Follow up audits
Brought forward - other audits
Regular audits
Contracts: Queries
Final Accounts
Other:
Performance Indicators
NFI
Governance arrangements
Financial Regs./Fraud Strategy/A.G.S.
Audit Committee
Best Value etc.
Partnerships
Grants
East Durham Homes governance arrangements
Safeguarding of assets
Known LGR work
Contingency