

**WEST DUNBARTONSHIRE COUNCIL**

**ANNUAL AUDIT PLAN**

**2006-2007**

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## **1. Introduction**

### **1.1 Definition of Internal Audit**

- 1.1.1** Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment, which comprises risk management, control, and governance. Audit form an opinion by evaluating the effectiveness of the control environment in supporting achievement of organisational objectives. Internal Audit objectively examines, evaluates, and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

*Code of Practice for Internal Audit in Local Government in the United Kingdom, 2003*

### **1.2 Terms of Reference**

- 1.2.1** The purpose, authority, and responsibilities of Internal Audit are currently set out within the Council Financial Regulations, Section I.
- 1.2.2** Internal Audit report to the Head of Finance, and to the Audit and Performance Review Committee, who are responsible for approving Audit Plans, considering reports, and monitoring performance, meeting quarterly.

### **1.3 Authority**

- 1.3.1** All Local Authorities in Scotland are subject to Section 95 of the Local Government Act (Scotland) 1973, and should make provision for Internal Audit, in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom, issued 2003, (The Code).

### **1.4 Purpose of Internal Audit**

- 1.4.1** The system of internal control within the authority should support the Council both in achieving its objectives and in managing material risks identified via the corporate risk register.
- 1.4.2** The Manager of Audit, in complying with the Code, is required by Standard 9 to include in the annual report on Internal Audit an opinion on the overall effectiveness and adequacy of the authority's internal control environment. Internal Audit plans to undertake sufficient systems work to provide an assurance to both Members and senior management on the adequacy and effectiveness of the internal control system.
- 1.4.3** This work will underpin the statement of internal financial control, which will be published with the abstract of accounts, and subject to the scrutiny of External Audit.

## **2 The Audit Planning Process**

### **2.1 Risk Assessment - Systems**

**2.1.1** In order to achieve this objective, the Audit Manager has undertaken a risk-based audit needs assessment. This assessment of needs identifies all operations, resources, services and responsibilities, and prioritises key systems being operated, and key services provided. Senior management had been consulted on priority areas for review, while cognisance has been taken of the plans of External Audit and other statutory agencies, in order to avoid duplication, and increase potential for cross reliance. The audit needs assessment is based upon a matrix taking cognisance of factors such as:

- Control environment
- materiality
- sensitivity
- management concerns

**2.1.2** The results of the matrix are an overall “score” for each area that is used to determine the frequency of audit review required.

**2.1.3** The risk process gives weight to core financial systems by applying a weighting based on transaction value. In addition, process has been revised to ensure that all aspects of major systems will be covered over a rolling programme by weighting each control objective based on the date of previous audit. The systems based approach developed by the Chartered Institute of Public and Financial Accountancy (CIPFA) will continue to form the basis for auditing control risks, in line with good practice.

### **2.2 Corporate Risks**

**2.2.1** The Council corporate risk register records each department’s own assessment of their most potentially damaging risks and their likelihood of occurrence. These risk assessments are currently under review by the Council’s Risk Management Officer and it is anticipated that a more comprehensive risk register will be available during 2006/07 to inform the audit plans for subsequent years.

### **2.3 Other Audit Areas**

**2.3.1** Following discussions with senior management, and consideration of current issues arising, major computer systems being introduced, and recommendations from recently completed audits, schedules have been developed of value for money studies, and computer audit.

**2.3.2** Time has also been allocated to providing financial services, the audit of performance indicators and development issues.

**2.3.3** Cognisance has been taken of the WDC Corporate Plan, Towards 2007 and Departmental Service Plans. Examples of assignments to be undertaken within 2006 – 2007 include:

- Within Priority 6, providing high quality best value services, payroll, main accounting, and housing benefits.
- Within Priority 2, promote health and wellbeing, a review of procedures in place for dealing with asbestos related issues.
- Within Priority 3, promote lifelong learning a review of maximising attendance arrangements in Education.

## **2.4 Contingency / Irregularity**

**2.4.1** Allowance has been made for matters arising requiring investigation, and ad-hoc work, based upon levels experienced in the past.

## **3 Resourcing the Plan**

**3.1.1** The Audit Section has an establishment of 10.8 FTE, including 1.8 performance audit staff; five staff are professionally qualified posts. Currently there are vacancies for two of the qualified posts. Available audit days have been calculated as 1892, following the deduction of leave, training, management etc. The resource allocation to audit areas is graphed in Appendix 1.

**3.1.2** As described in Paragraph 2.1 above, a risk assessment of the major systems is currently undertaken. The available staffing resources, in terms of available audit days are matched to this list and in 2006/07 this has resulted in the 14 highest risks areas being included in the audit plan, together with three high risk areas taken from the Council's risk register.

**3.1.3** Approximately 50% of operational time has been allocated to evaluating major financial and computer systems, and testing compliance with internal control via establishment visits. This will support the Manager of Audit, in arriving at her opinion on the overall effectiveness and adequacy of the authority's internal control environment, and enable her to provide assurances to both Members and Senior Management on the adequacy and effectiveness of the internal control system in place.

## AUDIT RESOURCE ALLOCATION



